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OUTER CONTINENTAL SHELF LEASING ACTIVITIES

HEARING

BEFORE THE

SUBCOMMITTEE ON

ENERGY CONSERVATION AND SUPPLY

OF THE

COMMITTEE ON

ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

OUTER CONTINENTAL SHELF LEASING ACTIVITIES

JUNE 26, 1984

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Committee on Energy and Natural Resources

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OUTER CONTINENTAL SHELF LEASING ACTIVITIES

TUESDAY, JUNE 26, 1984

U.S. SENATE,
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room SD-366, Dirksen Office Building, Hon. Lowell P. Weicker, Jr., presiding.

Present: Senators Weicker, Warner, Murkowski, Nickles, Hecht, Johnston, and Bradley.

Also present: Allen Stayman, professional staff member; D. Michael Harvey, chief counsel for the minority; and James T. Bruce, counsel for the minority.

OPENING STATEMENT OF HON. LOWELL P. WEICKER, JR., A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Senator **WEICKER**. Today the Subcommittee on Energy Conservation and Supply meets to conduct an oversight hearing on Outer Continental Shelf leasing activities. Before we begin, I would like to take a moment to make a few brief remarks.

We are all well aware of the need for the United States to become energy independent, and offshore oil and gas exploration is one of the ways we are moving toward that national goal.

However, with technological advances associated with OCS exploration come new risks and I am uneasy that these risks are underestimated.

For example, I know that our ability to clean up oil spills is limited by high seas and ice, conditions which are common in many of these frontier areas. I know that it took 8 months to cap the Ixtoc blowout in Mexico, and yet we plan to move to deeper water and more hostile climates, and perhaps more importantly, I know after repeatedly fighting to maintain this Nation's support for ocean research, that we have only a cursory understanding of the natural processes which occur in some of these frontier areas.

Expanded research and a continued caution must be part of our OCS development policy, considering the valuable fisheries resources and property that are being put at risk.

Another of my concerns centers around whether the Government will continue to fund programs which protect the coastal environment and compensate the States for OCS development. The House of Representatives passed revenue sharing legislation last fall, and the Senate recently reported similar legislation out of the Commerce Committee.

Within the past 2 weeks there have been reports that the administration is reconsidering its opposition to revenue sharing, although that position is still unclear. It appears that the time may now be ripe for Congress and the administration to work together toward mutually agreeable legislation which will provide the States with a measure of compensation for the impacts and risks they are assuming.

The Coastal Zone Management Act provides incentives to the States to manage their coastal zones and protect their coastal resources. In January of this year, the Supreme Court ruled that the Federal Outer Continental Shelf leasing no longer needed to be consistent with coastal States management plans. This decision signaled a high point of frustration for many who felt that their role in the OCS leasing process was being continually diminished.

Today we will focus on one of the consequences of this breakdown, that is, the establishment of OCS moratorium areas. Since Secretary Clark assumed his post at the Interior Department he has done a remarkable job of managing these difficult issues and easing some of the tensions which had built up over previous years.

It is my hope that today we can address some of the concerns I have raised and move toward reestablishing the cooperation in the offshore leasing process.

[The prepared statements of Senators Weicker, McClure, Murkowski, Johnston, Chiles, and Kennedy follow:]

STATEMENT OF SENATOR WEICKER
JUNE 26, 1984 HEARING ON OUTER CONTINENTAL SHELF LEASING ACTIVITIES

GOOD MORNING. TODAY THE SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY MEETS TO CONDUCT AN OVERSIGHT HEARING ON OUTER CONTINENTAL SHELF LEASING ACTIVITIES. BEFORE WE BEGIN, I WOULD LIKE TO TAKE A MOMENT TO MAKE A FEW BRIEF REMARKS.

WE ARE ALL AWARE OF THE NEED FOR THE UNITED STATES TO BECOME ENERGY INDEPENDENT, AND OFFSHORE OIL AND GAS EXPLORATION IS ONE WAY WE ARE MOVING TOWARDS THAT NATIONAL GOAL. HOWEVER, WITH TECHNOLOGICAL ADVANCES ASSOCIATED WITH OCS EXPLORATION COME NEW RISKS, AND I AM UNEASY THAT THESE RISKS ARE UNDERESTIMATED.

FOR EXAMPLE, I KNOW THAT OUR ABILITY TO CLEAN UP OIL SPILLS IS LIMITED BY HIGH SEAS AND ICE, CONDITIONS WHICH ARE COMMON IN MANY OF THESE FRONTIER AREAS. I KNOW THAT IT TOOK 8 MONTHS TO CAP THE MASSIVE IXTOC BLOWOUT IN MEXICO, AND YET WE PLAN TO MOVE TO DEEPER WATERS AND MORE HOSTILE CLIMATES. AND PERHAPS MOST IMPORTANTLY, I KNOW, AFTER REPEATEDLY FIGHTING TO MAINTAIN THIS NATION'S SUPPORT FOR OCEAN RESEARCH, THAT WE HAVE ONLY A CURSORY UNDERSTANDING OF THE NATURAL PROCESSES WHICH OCCUR IN SOME OF THESE FRONTIER AREAS. EXPANDED RESEARCH AND CONTINUED CAUTION MUST BE PART OF OUR OCS DEVELOPMENT POLICY, CONSIDERING THE VALUABLE FISHERIES RESOURCES AND PROPERTY THAT ARE BEING PUT AT RISK.

ANOTHER OF MY CONCERN'S CENTERS AROUND WHETHER THE GOVERNMENT WILL CONTINUE TO FUND PROGRAMS WHICH PROTECT THE COASTAL

ENVIRONMENT AND COMPENSATE THE STATES FOR OCS DEVELOPMENT. THE HOUSE OF REPRESENTATIVES PASSED REVENUE SHARING LEGISLATION LAST FALL AND THE SENATE RECENTLY REPORTED SIMILAR LEGISLATION OUT OF THE COMMERCE COMMITTEE. WITHIN THE PAST TWO WEEKS THERE HAVE BEEN REPORTS THAT THE ADMINISTRATION IS RECONSIDERING ITS OPPOSITION TO REVENUE SHARING ALTHOUGH THAT POSITION IS STILL UNCLEAR. IT APPEARS THAT THE TIME MAY NOW BE RIPE FOR CONGRESS AND THE ADMINISTRATION TO WORK TOGETHER TOWARD MUTUALLY AGREEABLE LEGISLATION WHICH WILL PROVIDE THE STATES WITH A MEASURE OF COMPENSATION FOR THE IMPACTS AND RISKS THEY ARE ASSUMING.

THE COASTAL ZONE MANAGEMENT ACT PROVIDES INCENTIVES TO THE STATES TO MANAGE THEIR COASTAL ZONES AND PROTECT THEIR COASTAL RESOURCES. IN JANUARY OF THIS YEAR THE SUPREME COURT RULED THAT FEDERAL OUTER CONTINENTAL SHELF LEASING NO LONGER NEEDED TO BE CONSISTENT WITH COASTAL STATES MANAGEMENT PLANS. THIS DECISION SIGNALED A HIGH POINT OF FRUSTRATION FOR MANY WHO FELT THAT THEIR ROLE IN THE OCS LEASING PROCESS WAS BEING CONTINUALLY DIMINISHED. TODAY, WE WILL FOCUS ON ONE OF THE CONSEQUENCES OF THIS BREAKDOWN: THAT IS, THE ESTABLISHMENT OF OCS MORATORIUM AREAS.

SINCE SECRETARY CLARK ASSUMED HIS POST AT THE INTERIOR DEPARTMENT HE HAS DONE A REMARKABLE JOB OF MANAGING THESE DIFFICULT ISSUES AND EASING SOME OF THE TENSIONS WHICH HAD BUILT UP OVER PREVIOUS YEARS. IT IS MY HOPE THAT TODAY WE CAN ADDRESS SOME OF THE CONCERNS I HAVE RAISED AND MOVE TOWARD REESTABLISHING COOPERATION IN THE OFFSHORE LEASING PROCESS.

STATEMENT OF JAMES A. MCCLURE ON OCS LEASING ACTIVITIES

MR. CHAIRMAN, I WOULD LIKE TO BEGIN MY REMARKS BY THANKING YOU FOR SCHEDULING THIS SUBCOMMITTEE OVERSIGHT HEARING ON OCS LEASING ACTIVITIES. I WOULD ALSO LIKE TO EXPRESS MY APPRECIATION TO SECRETARY CLARK AND SECRETARY LEHMAN FOR THEIR WILLINGNESS TO APPEAR HERE TODAY.

I BELIEVE THEIR PRESENCE INDICATES THE IMPORTANCE OF THE OCS LEASING PROGRAM TO THE ADMINISTRATION AND TO THE NATION.

AS YOU KNOW, IN RECENT ~~YEARS~~, CONGRESS HAS BECOME INCREASINGLY CONCERNED OVER THE PROCESS AND PROCEDURE BY WHICH THE DECISION TO LEASE SPECIFIED OCS TRACTS HAS BEEN MADE. AS A RESULT, MORATORIA HAVE BEEN IMPOSED ON SOME 52 MILLION OFFSHORE ACRES. IN MANY CASES, THE MORATORIA HAVE BEEN IMPOSED WITHOUT FULL EXAMINATION OR UNDERSTANDING OF THE SITUATION AND WITHOUT FULL REALIZATION OF THE CONSEQUENCES. IN ALL CASES, THE DECISIONS TO IMPOSE MORATORIA HAVE BEEN MADE IN THE APPROPRIATION PROCESS, RATHER THAN BY THE AUTHORIZING COMMITTEES WHICH HAVE PRIMARY JURISDICTION AND EXPERTISE.

I AM PARTICULARLY PLEASED THAT SECRETARY CLARK HAS UNDERTAKEN, AS A HIGH PRIORITY, A REVIEW AND READJUSTMENT OF THE OCS PROGRAM. THIS EFFORT IS DESIGNED TO RESTORE CONFIDENCE IN THE STATES AND IN CONGRESS REGARDING THE PACE AND DIRECTION OF THE PROGRAM. FROM AN ENERGY POLICY STANDPOINT, THIS IS IMPERATIVE AS OCS LEASING IS ONE OF THE MOST PROMISING SOURCES OF ENERGY FUELS IN THE NEAR FUTURE. FROM A NATIONAL SECURITY STANDPOINT IT IS ABSOLUTELY VITAL. THE DEVELOPMENT OF OUR OWN INDEPENDENT ENERGY RESOURCES NEEDS LITTLE JUSTIFICATION IN THESE TIMES OF INTERNATIONAL UNCERTAINTY.

I AM PERSONALLY CONVINCED THAT THE SECRETARY MUST HAVE THE ABILITY TO CONTINUE AN ACTIVE OFFSHORE LEASING PROGRAM WITHOUT MORATORIA. DUE REGARD MUST AND WILL BE GIVEN TO THE STATES' LEGITIMATE CONCERNS FOR THE COASTAL ENVIRONMENT AND AESTHETICS, BUT NATIONAL WELFARE AND SECURITY NEEDS MUST BE MET.

I APPLAUD SECRETARY CLARK FOR HIS EFFORTS TO FASHION THE OCS LEASING PROGRAM IN A MANNER WHICH EMPHASIZES CONSULTATION, COORDINATION, AND SENSITIVITY TO DIVERSE CONCERNS. I ALSO BELIEVE HE SHOULD BE COMMENDED FOR HIS ADVOCACY OF REASONABLE APPROACHES TO THE COLLATERAL, BUT IMPORTANT ISSUES OF REVENUE SHARING, CONSISTENCY, AND DISBURSEMENT OF THE SO-CALLED "8(G) FUNDS". WHILE THESE ISSUES REMAIN UNRESOLVED, SECRETARY CLARK HAS INDICATED HIS COMMITMENT TO BRINGING THEM TO A REASONABLE CONCLUSION AND DESERVES OUR SUPPORT.

IN SUM, THE OCS LEASING PROGRAM IS IN GOOD HANDS. CHALLENGES AND CONFLICTS WILL PERSIST, BUT THE CLIMATE FOR RESOLUTION HAS BEEN ESTABLISHED. THE NATION CANNOT AFFORD TO HAVE A POLICY ESTABLISHED BY MORATORIA AND THEY SHOULD NOT CONTINUE.

I LOOK FORWARD TO HEARING THE TESTIMONY OF SECRETARY CLARK AND SECRETARY LEHMAN, AS WELL AS THE OTHER WITNESSES HERE TODAY. I BELIEVE A RECORD WILL BE ESTABLISHED WHICH SUPPORTS THE NECESSITY AND ADVISABILITY OF GOING FORWARD WITH THE OCS LEASING PROGRAM IN THE POSITIVE, PRODUCTIVE, AND COOPERATIVE MANNER ORIGINALLY ENVISIONED BY CONGRESS WITHOUT FURTHER INTERVENTION.

STATEMENT OF
SENATOR FRANK H. MURKOWSKI
BEFORE THE
SUBCOMMITTEE ON CONSERVATION AND SUPPLY
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

June 26, 1984

I would like to begin by commending the subcommittee chairman for holding these oversight hearings. There has been a great deal of debate with respect to Outer Continental Shelf (OCS) oil and gas leasing in the Department of Interior, the Department of Defense, the White House, the courts, and other committees of Congress. The Energy Committee, given its jurisdiction over questions of national energy policy, has a responsibility to maintain a high profile in that activity. I hope that the Chairman of the Subcommittee as well as the Chairman of the full Committee will see to it that we vigorously exercise our jurisdiction in this area.

The development of our nation's OCS is a critical energy need. We are importing a third of our oil. Last year our trade imbalance was 70 billion dollars -- 80% of that imbalance was due to the cost of imported oil. During the 1970s, our proven reserves fell by one-third. In spite of these alarming facts, the coastal states have expresses their serious concerns about the pace, scale, and magnitude of the OCS leasing program. I understand these concerns. I come from a coastal state where the consequences of an offshore mishap are greater than anywhere else, so I won't take a back seat to anybody in demanding that offshore exploration, development and production take place in a rational, responsible and balanced manner.

Offshore Alaska is expected to produce 15 billion barrels, or 58% of the nation's total forecast offshore reserves. At the same time, Alaska has a pristine environment, world-class fisheries, and native subsistence lifestyles and culture which must be protected. Clearly, a balance between State and Federal interests must be maintained.

The Secretary of Interior has done a magnificient job in working with the Alaska Congressional delegation, our Governor, and various interest groups to achieve that balance. Only last week, the Secretary informed me that additional environmental studies in a particularly sensitive area off Alaska would be undertaken. He also informed me that a short delay in the pre-leasing schedule would be necessary in order to accomodate the additional studies.

About the same time, a House Appropriations subcommittee was unilaterally acting to impose a moritorium on that same sale -- and they did so without the support of the Alaska Congressional delegation and against the recommendation of Alaska's Governor.

Mr. Chairman, these appropriations-linked moritoria have got to stop. They constitute back-door policy making, and I will fight them with every means at my disposal. Lease sale delays, when they are negotiated by the Secretary of Interior with coastal-state governors, congressional delegations and affected interest groups are one thing, but the unilateral imposition of a sale moritorium by an apporpriations committee is quite another.

Last year Congress placed 53 million acres off limits to OCS leasing through appropriations-linked moritoria off California, Florida and Massachusetts. That's more acrage than we leased in the 1950s, 60's and 70's combined. These moritoria are costing our nation 1.5 billion dollars each year in lost revenues, production, jobs, taxes and increased dependence upon imported oil. The moritoria mentaility has got to cease, Mr. Chairman.

The scope of this hearing is quite broad. I could go on for some time about the potential adverse effects of the so-called "consistency" legislation on the balance between state and federal interests, or the value OCS revenue sharing would have as a means allowing coastal states to turn prepare for development-related impacts, but our time is short and I am anxious to hear the witnesses. I am sure we shall explore some of these matters fully during the course of the hearing.

STATEMENT OF SENATOR JOHNSTON

Oversight Hearing on the
Outer Continental Shelf Leasing Program

Committee on Energy and Natural Resources
United States Senate
June 26, 1984

Mr. Chairman, I want to command you for the scheduling of this hearing today. As we all know, the Federal OCS leasing program has been the subject of much discussion and some considerable controversy over the last several years. As the recent turbulence in the Middle East clearly indicates, the approach that we take to development of our domestic natural resources is of paramount importance to the energy security and financial well being of our nation.

I am alarmed at the recent trend we in the Congress seem to be following--that being the increasing restriction of access to Federal lands, particularly those offshore. Last year's Interior Appropriations bill imposed moratoria on 52 million acres of Outer Continental Shelf Lands, with an estimated producing capacity of 2.24 billion barrels of petroleum. The imposition of these moratoria was preceeded by no hearings, no consideration by any of the jurisdictional committees, and were marked by an almost total absence of environmental justification. I expect that the information presented at today's hearing will, if viewed objectively, clearly demonstrate that exploration for and production of oil and gas from the Outer Continental Shelf is not only one of the most promising but also one of the most environmentally benign solutions to our continuing energy problems.

I believe today's hearing should also focus on another aspect of OCS development--that being the role of the states. Despite the passage of the OCS Lands Act Amendments of 1978, which were designed to bring state and Federal interests more closely in balance, it is becoming increasingly apparent that states still do not consider themselves a full partner in OCS development. Of particular significance is the total absence of any direct economic incentives for states to encourage development of the Federal OCS off their borders. It is ironic that we directly share almost a billion dollars a year in bonus payments, rentals and royalty payments with inland states, yet we share no revenues with coastal states from OCS development despite the fact that we produce more than 10 times as much oil and gas from coastal waters. Until we begin to adequately compensate coastal states for the developmental costs associated with OCS development we can expect to see increasing opposition to the Federal basing program.

A bill which would share Federal OCS revenues with coastal states has passed the House and is now pending in the Senate. I would urge the Administration in the strongest possible terms to reconsider its opposition to this program. Perhaps more importantly, the Administration must seek an equitable and expeditious solution to the problem of sharing revenues with coastal states from leases which adjoin the Federal-state seaward boundary--

the so-called 8(g)problem. In my home state of Louisiana, which is currently host to 94% of total offshore oil and gas production, the failure of the Administration to equitably apportion the $2.5 billion in 8(g) revenues threatens to radically alter the posture of the state towards Federal OCS development. Until the states become a full partner in the OCS program, sharing the financial benefits as well as the burdens, the future of what is perhaps our most vital domestic energy resource remains in jeopardy. At a time when tensions in the Persian Gulf are escalating, this is a risk we cannot afford to bear.

STATEMENT OF SENATOR LAWTON CHILES

TO THE SENATE SUBCOMMITTEE ON
ENERGY CONSERVATION AND SUPPLY

June 26, 1984

Mr. Chairman. I appreciate having this opportunity to comment on the Outer Continental Shelf Leasing Program and, more specifically, the issue of congressionally mandated leasing moratoria. In short, I feel the action on the part of Congress in the past to impose moratoria is but a symptom of a malfunctioning process. Correct the process, and there will be no need for moratoria. Let the process continue to work as it has in the past, and you will indeed see issues continue to be unresolved, the general public continue to unnecessary disturbed, and political pressures continue to be exerted to accomplish what should be the result of the established leasing process.

I am not, in theory, supportive of using the appropriations process to frustrate resource exploration and development along the Outer Continental Shelf. I am, however, in fact, committed to safeguarding important coastal marine environments and addressing our national defense needs. The problem I've faced over the last few years is not being able to ensure recognition of national security needs and important resource concerns of my State without resorting to prohibitive language in appropriations measures. Again, I agree with those who claim that moratoria are not the answer to this problem, but until we have a leasing process that will be responsive to legitimate State concerns and national defense needs , I am left with no option but to do what has to be done to make sure lease sales do not include lands vital to national security or critical to Florida's marine resources.

Mr. Chairman. Both of the lease sales conducted by the Department of the Interior last year involving lands off Florida's coast were affected by the congressionally mandated leasing moratoria. These were lease sale #78 in the So. Atlantic and lease sale #79 in the Eastern Gulf of Mexico. In both cases, negotiations between the State of Florida and the Department of the Interior were unsuccessful in resolving resource conflicts and in both cases military test and training concerns were not addressed until well into the administrative process. With respect to lease sale #78, communication broke down. All indications pointed to the fact that NASA and Department of Defense concerns with respect to space shuttle clearance zones were being virtually ignored by the Department of the Interior. In the absence of the action taken by the House of Representatives on this particular sale, I doubt we would have seen the timely resolution of the matter and the memorandum of agreement signed by NASA , DOD, and the Department of the Interior with respect to lease sale #78. The Eastern Gulf of Mexico sale points to the problem where low-interest industry areas are subject to high-interest public controversy. If early deletions had been made based on industry's real interest, then the need for this particular moratorium might have been nonexistent .

In early June I contacted Secretary Clark to indicate to him my personal concern about the possibility of facing another congressional imposed moratorium with respect to a 1985 proposed lease sale in the South Atlantic. At that time I reiterated to him my hope that his announced plan of changing the OCS leasing process to resolve issues much earlier in the process would, in fact, be operative in this particular lease sale (lease sale #90) . It was my hope that the Department would come forward, announce intended deletions based on input from industry, DOD, NASA, and the State of Florida and , in so doing, would resolve the conflicts which exist surrounding this particular sale. -

Last Friday I received a response from the Department concerning the upcoming lease sale. The Department has indicated that no blocks in the area south of 31° N latitude will be offerred without the concurrence of the Department of Defense and NASA. While this certainly is encouraging in terms of meeting defense and national security needs, what remains unresolved are outstanding state concerns with respect to coastal marine environments and sufficiency of environmental data. Should the end-product of negotiations between Interior and Defense and NASA encompass the State of Florida's concern with respect to protecting fishery resources, then I see no problem with the 1985 lease sale moving forward. However, we still face uncertainties should the State of Florida have remaining concerns once the DOD/NASA issues are resolved.

The situation Florida has faced over the last several years with respect to lease sales clearly illustrates the problem with the OCS leasing process. It is time we recognize the congressionally imposed moratoria do not work in the best interest of our country -- but neither does a leasing process which jeopardizes important resource protection and national defense goals.

It is time we examine the leasing process and determine what changes can be made to make it work more effectively. There are several areas which warrant attention.

In January Secretary Clark announced his plan to implement changes so as to identify and resolve issues much earlier and to better focus on those areas for leasing where industry is really serious about exploration and development. I applaud this action taken by the Secretary, but I think the Committee should examine the possibility of institutionalizing this process, of making sure that early deletions are made giving flexibility to the Secretary to scope out industry's real interests and Government Agencies' legitimate concerns. If these deletions can be made prior to the release of the Draft EIS, then areas of controversy can be significantly narrowed and conflicts resolved in a more timely fashion.

The Committee should also focus attention on the pace of the accelerated 5-year leasing schedule. I have questioned the leasing schedule since it was first announced in 1982. I wonder if the schedule is unrealistically ambitious. Would a less vigorous pace foster better communications between coastal states, industry and affected governmental agencies and, in turn, avoid conflicts which are , in part, prompted by pressing deadlines? This is a question I feel merits the attention of the Committee above and beyond the specific moratorium concern.

Additionally, over the last few years the State of Florida has raised concern over the lack of scientific data available from which to make important resource management decisions. How can we tell what areas should be deleted from leasing activity or under what stipulations should leasing take place until complete environmental studies are available? In my view leasing should only be allowed when environmental data are thorough enough to support such a decision and provide a base from which to draw effective stipulations.

And finally, Mr. Chairman, the experiences of my State with respect to military test and training activities of Cape Canaveral and Eglin Air Force Base point to a real need to resolve, up front, defense related concerns associated with oil and gas leasing in the Gulf of Mexico and the So. Atlantic. The Committee should consider, as a minimum, requiring that concurrence with DOD/NASA take place before any lease sale moves forward. As I mentioned earlier, these types of joint use conflicts should be resolved prior to announcement of the Draft EIS so as to avoid public misunderstandings and unnecessary congressional involvement.

Again, Mr. Chairman, I want to reiterate that I want to see the leasing system work, and I have indicated my willingness to work with the Department of the Interior on the upcoming lease sale #90 so as to avoid congressionally imposed moratoria. However, in the absence of assurances that national defense needs are being met and concerns of the State of Florida with respect to marine resource protection are being addressed, I will regrettably use any means available to me to ensure that leasing does not take place which is contrary to the interests of national security or the State of Florida.

Thank you very much.

LAWTON CHILES
FLORIDA

COMMITTEES:
APPROPRIATIONS
BUDGET
GOVERNMENTAL AFFAIRS
SPECIAL COMMITTEE ON AGING
DEMOCRATIC STEERING COMMITTEE

United States Senate

June 4, 1984

The Honorable William Clark
Secretary of the Interior
Department of the Interior
Washington, D. C.

Dear Mr. Secretary:

I am writing today to urge you to take action to avoid possible controversy concerning an upcoming lease sale in the South Atlantic, proposed lease sale #90. Although this particular lease sale is not scheduled to take place until January, 1985, there is already considerable public interest in making sure this sale will not include lands vital to national security or critical to Florida's marine resources. My purpose in writing is both to encourage prompt action on the part of the Department of the Interior in terms of which areas should be deleted from the upcoming sale and to hopefully avoid a possible future confrontation with respect to including leasing moratoriums in upcoming appropriations measures.

I was pleased to have the opportunity to discuss with you earlier this year the problems Florida has had in the past in working out conflicts over possible leasing areas. I was encouraged to learn of your interest in making the OCS process work better and your plans to implement changes so as to increase state and public participation, to identify and resolve issues much earlier and to better focus on those areas where industry is really serious about exploration and development. I think this upcoming lease sale is a good example of where an early decision by the Department of the Interior with respect to deletions from the lease offering will work in the best interest of the State as well as the overall leasing program.

As in previous lease sale offerings in this area, the Department of the Defense and the National Aeronautics and Space Administration have expressed strong opposition to leasing lands in the South Atlantic south of latitude 31° North because of the security of the flight clearance zone. In addition, the State of Florida has expressed concern about the adverse impact on shrimp and scallop resources if certain depth areas were open to leasing activity. It is my understanding that Department of the Interior officials have, in fact, already initiated the informal process of defining conflicts and identifying high-interest levels with respect to lease sale #90 in the South Atlantic. On the basis of this information, and the objections raised by the State and the DOD and the NASA, I hope you can, and will, make public as soon as possible your intentions with respect to deletions from the proposed lease sale #90. In this way I feel we could not only allow the OCS leasing process to move forward in an expeditious manner, but also avoid unnecessary Congressional action with respect to limiting future lease sales.

Please be assured I stand ready to be of any assistance I can in working to resolve the legitimate state and defense related concerns surrounding the proposed South Atlantic lease sale.

I would appreciate your comments concerning the feasibility of a prompt DOI decision on deletions from the original areas in the South Atlantic proposed to be offered for lease sale.

With kind regards, I am

Most sincerely,

Lawton

LAWTON CHILES

LC/gvs

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 22 1984

Honorable Lawton Chiles
United States Senate
Washington, D.C. 20510

Dear Senator Chiles:

Secretary Clark has asked me to respond to your letter of June 4, 1984, concerning the configuration of Sale 90--South Atlantic.

We have received the responses to our Request for Supplemental Information which was issued in March 1984 and subsequent information from industry as to their areas of interest. In addition, comments are now being received on a draft environmental impact statement which was published in April 1984.

During the upcoming decision process to determine the proposed sale configuration, every effort will be made to accommodate the concerns of all interested parties consistent with our responsibilities under the Outer Continental Shelf Lands Act. With specific regard to the area south of 31° N latitude, we are working closely with the Department of Defense and the National Aeronautics and Space Administration on their needs in this area and will offer no blocks in this zone without the concurrence of these Agencies. Agreements on offering blocks in this area will be concluded prior to the issuance of a proposed Notice of Sale in November 1984.

Thank you for sharing your views with us on this matter.

Sincerely,

Leona S. Power

Deputy Assistant Secretary for
Land and Minerals Management

STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Mr. CHAIRMAN: Along with Senator Cranston, and Senator Tsongas, I am an original sponsor of S. 760 and I appreciate the opportunity to testify in support of this bill. Our legislation would remove limited areas off the California and Massachusetts coasts from oil and gas leasing prior to the year 1990, in the case of Massachusetts, and the year 2000 for California. Though vitally important to the environment, this action would have a minimal impact on our efforts to increase offshore energy production. The areas covered by the bill constitute less than 5% of the Outer Continental Shelf (OCS) proposed to be leased under former Interior Secretary Watts' 1 billion acre leasing plan. And it is estimated that the tracts this bill would protect contain less than 6% of the recoverable oil and gas on the OCS.

Since the establishment of the 200-mile Fishery Conservation Zone in 1976, the United States fishing industry has expanded on the East Coast to take advantage of the more than 200 species of fish—including valuable cod, haddock, yellowtail flounder, and scallops—that congregate and spawn on Georges Bank. I am deeply concerned that oil and gas activity in some of the extremely environmentally sensitive areas of Georges Bank will put at risk this fishery that today supports thousands of jobs in Massachusetts and New England and generates more than $1 billion in commerce each year.

Georges Bank is not a large fishing ground compared to other productive offshore areas around the world. It is remarkable, however, in that it supports an annual harvest of more fish per acre than anywhere else on earth. And barring a disaster, it promises to continue to supply this bounty for generations to come.

Scientists have determined that the interaction of tidal flows into and out of the Gulf of Maine create the clockwise circular current of the Georges Bank gyre. This current acts to trap and concentrate fish and nutrients together on the Bank in a recipe for amazing protein production. Ironically, the same gyre which accounts for the productivity of the fishery also makes Georges Bank extraordinarily vulnerable to oil's toxic effects. In the event of a mishap inside the gyre, juvenile fish and shellfish—most of which float at the surface—would be exposed to potentially damaging levels of oil for months at a time. If the discharge occurred at the wrong time during the spawning cycle, a substantial part of an entire year's production might be irretrievably lost.

The Department of Interior has proposed—more than once—to offer for lease tracts on Georges Bank within the environmentally sensitive area I have described, as well as in the lobstering and scalloping areas centered around the heads of the many canyons that indent the seaward edge of the Bank. In so doing, the Department improperly weighed the need for energy production against the importance of preserving the environment, our living natural resources, and vital industries. The Department of Interior plan needlessly puts at risk priceless resources that would otherwise yield rich benefits for years to come—and all for the mere possibility of a small, short-term gain in energy reserves.

In summary, let me say that I can agree with those who say that it is generally poor policy for Congress to specify which OCS tracts should or should not be included in a lease sale. But until the Department of Interior indicates by its actions that it is ready to begin a new era of partnership with the coastal states, and moves away from its intransigence regarding environmental concerns about oil and gas activity in certain critical areas on the OCS, Congressional bans are prudent and necessary. I must, therefore, urge this Committee to favorably report S. 760 and permit the full Senate to consider this bill.

Senator WEICKER. I notice my good friend, Alan Cranston, is here, and Senator, we will be delighted to go ahead and receive any remarks that you care to make.

STATEMENT OF HON. ALAN CRANSTON, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator CRANSTON. Thank you very much, Mr. Chairman. I appreciate very much that fine opening statement that you made.

I am delighted that this subcommittee is holding a hearing on my bill, S. 760, along with other legislative proposals on the use and development of the Federal Outer Continental Shelf.

Few energy-related controversies have produced so much heat with so little light as the Reagan administration's attempts, begun under departed Interior Secretary James Watt, to speed up OCS leasing and eliminate all but pro forma consideration of the environmental and other impacts of proposed OCS leasing.

While these repeated attempts added nothing to our energy supply, they have steadily eroded public confidence in the OCS leasing process. The OCS process was devised by Congress to interrelate Federal interests in OCS development and coastal protection with the federally approved coastal zone management plans of coastal States, and the particular interest of State, county, and local governments and the people living in affected areas.

It is burdensome and costly for a municipality, a county, or regional government to defend its vital interests against Federal intrusion again and again during the various steps of each lease sale, and in one lease sale after another in fights over the same areas or tracts.

The areas that S. 760 would protect were included in, battled over, and eventually removed from, as many as four different OCS lease sales in just the last 10 years, yet they still face the possibility of OCS leasing in the near future.

While in previous administrations, Republican and Democratic alike, removal of these areas often came on the exercise of Secretarial discretion, during the Reagan administration deletion of tracts has required judicial intervention or repeated congressional action in riders to appropriations bills. Just to achieve the very same result four times in a decade has required almost continuous effort by the local governments and those who support them.

It is time to give these carefully selected areas respite. S. 760 covers only about 4 percent—only 4 percent—of the area proposed by the Reagan administration for OCS leasing. It covers only environmentally and economically vulnerable areas off the coasts of California and Massachusetts, all of which have been removed from previous lease sales once or more.

Both Massachusetts Senators agreed on the portion of the Massachusetts coastline covered by this bill. Both California Senators agree on the area off California which we want subjected to oil and gas lease moratorium. This bill is limited to areas where the resource potential for oil and gas is low and the environmental risk great. It protects some of the most spectacular coastline in the Nation. These areas have the lowest estimated energy resources on the entire Outer Continental Shelf.

Three specific arguments have been made against this legislation. One, that Secretary Bill Clark is better than his predecessor, making the legislation unnecessary; two, that S. 760 will prevent us from reducing our dependence on foreign crude and put us in a bind if the Iraq-Iran war worsens; three, that S. 760 will prevent exploration and development of large oil and gas resources off the California coast.

These arguments are easily refuted. First, whether Secretary Clark is an improvement is not an issue. The Reagan administration which proposed leasing over 1 billion acres nationally, nearly 20 times the cumulative acreage offered by all previous administrations from 1954 through 1982, is still in office, and we don't know how long Mr. Clark will remain Interior Secretary.

There is no evidence that the Reagan administration's leasing policies have significantly changed, but the areas covered by our bill have seen a series of Secretaries and administrations come and go, and they have had to defend the special areas of their coastlines from each of them.

These areas—Point Reyes and Cape Cod National Seashores, Big Sur, the Mendocino Headlands, the Channel Islands and Santa Monica Bay—and other spectacular areas covered by our bill, are all part of our priceless national heritage. They need to be protected for the balance of this century, leaving to future generations the decision of whether exploiting the meager energy resources they may contain is worth the damage that energy exploitation may cause.

Second, the total amount of oil and gas in these areas is so small that even if we recovered all of it, it would make no significant difference in our national oil and gas supply. Moreover, it would be 5 to 10 years before any of this oil or gas would be produced even if it were leased now, and none of these areas are presently scheduled for immediate leasing. OCS leasing of unexplored tracts is not a rational response to an impending energy crisis.

There are many better ways to reduce our dependence on foreign oil, including many efforts repeatedly approved by Congress that this administration has attempted to scuttle.

Third, S. 760 does not bar development of OCS resources where large potential supplies have been discovered as in the oil rich Santa Maria Basin. Rather it prevents leasing only of those areas where energy resources are minimal and the potential of damage to other resources so severe.

Annual moratorium legislation—riders on appropriations bills have been an expedient way for Congress to protect these areas in the short run, but clearly enactment of S. 760 is a better longer range approach.

Mr. Chairman and members of the committee, on a related subject, I want to take this opportunity to express my strong support for S. 2324, which is also before the subcommittee today for reasonset out in my full statement which I ask to be included in the record as though read.

Adoptions of this legislation alone, however, will not eliminate the possibility that the areas I described earlier may have to fight again to prevent inclusion in lease sale 80 in southern California scheduled for October of this year, and lease sale 91 in northern California, the call for which has been deferred until some time in 1985, and so I urge the subcommittee to act favorably on both S. 2324 and S. 760.

Thank you very much.

[The prepared statement of Senator Cranston follows:]

STATEMENT OF SENATOR ALAN CRANSTON
BEFORE THE U.S. SENATE SUBCOMMITTEE ON ENERGY
CONSERVATION AND SUPPLY, COMMITTEE ON ENERGY AND
NATURAL RESOURCES, JUNE 26, 1984

Mr. Chairman,

I'm very pleased this subcommittee is holding hearings on my bill, S.760, along with other legislative proposals on the use and development of the federal Outer Continental Shelf (OCS).

Few energy-related controversies have produced so much heat -- with so little light -- as the Reagan Administration's attempts, begun under departed Interior Secretary James Watt, to speed up OCS leasing and eliminate all but pro-forma consideration of the environmental and other impacts of proposed OCS leasing.

While these repeated attempts added nothing to our energy supply, they have steadily eroded public confidence in the OCS leasing process. The OCS process was devised by Congress to inter-relate federal interests in OCS development and coastal protection with the federally-approved coastal zone management plans of coastal states and the particular interests of state, county and local governments, and the people living in affected areas.

Even under normal processes, it is burdensome and costly for a municipality, a county or regional government to defend its vital interests against federal intrusion -- again and again -- during the various steps of each lease sale, and in one lease sale after another, in fights over the same areas or tracts.

The areas that S. 760 would protect were included in, battled over, and eventually removed from, as many as four different OCS lease sales in just the last ten years.

Yet, they still face the possibility of OCS leasing in the near future.

While, in previous administrations -- Republican and Democratic alike -- removal of these areas often came on the exercise of Secretarial discretion, during the Reagan Administration deletion of tracts has required judicial intervention or repeated Congressional action in riders to appropriations bills.

Just to achieve the very same result four times in a decade has required almost continuous effort by the local governments and those who support them.

It is time to give these carefully selected areas respite!

S. 760 covers only about 4% of the area proposed by the Reagan Administration for OCS leasing.

It covers only environmentally and economically vulnerable areas off the coasts of California and Massachusetts, all of which have been removed from previous lease sales once or more.

Both Massachusetts Senators agree on the portion of the Massachusetts coastline covered by this bill.

Both California Senators agree on the area off California which we want subjected to an oil and gas lease moratorium.

This bill is limited to areas where the resource potential for oil and gas is low, and the environmental risk great.

It protects some of the most spectacular coastline in the nation.

These areas have the lowest estimated energy resources on the entire Outer Continental Shelf.

Three specious arguments have been made against this legislation:

1. That Secretary Bill Clark is better than his predecessor, making the legislation unnecessary.

2. That S. 760 will prevent us from reducing our dependence on foreign crude and put us in a bind if the Iraq-Iran war worsens.

3. That S. 760 will prevent exploration and development of large oil and gas resources off the California coast.

These arguments are easily refuted:

First, whether Secretary Clark is an improvement is not an issue. The Reagan Administration, which proposed leasing over a billion acres nationally -- nearly 20 times the cumulative acreage offered by all previous administrations from 1954 through 1982 -- is still in office, and we don't know how long Mr. Clark will remain Interior Secretary. There is no evidence that the Reagan Administration's leasing policies have significantly changed.

But the areas covered by our bill have seen a series of Secretaries and administrations come and go. And they have had to defend the special areas of their coastlines from each of them.

These areas: Point Reyes and Cape Cod National Seashores, Big Sur, the Mendocino headlands, the Channel Islands and Santa Monica Bay, and the other spectacular areas covered by our bill are all part of our priceless national heritage.

They need to be protected for the balance of this century, leaving to future generations the decision of whether exploiting the meager energy resources they may contain is worth the damage that energy exploitation may cause.

Second, the total amount of oil and gas in these areas is so small that, even if we recovered all of it, it would make no significant difference in our national oil and gas supply.

Moreover, it would be 5-10 years before any of this oil or gas would be produced, even if it were leased now. And none of these areas are presently scheduled for immediate leasing. OCS leasing of unexplored tracts is not a rational response to an impending energy crisis.

There are many better ways to reduce our dependence on foreign oil, including many efforts repeatedly approved by Congress that this Administration has attempted to scuttle.

Third, S. 760 does not bar development of OCS resources where large potential supplies have been discovered -- as in the oil-rich Santa Maria basin.

Rather, it prevents leasing only of those areas where energy resources are minimal and the potential of damage to other resources is severe.

Annual moratorium legislation -- riders on appropriations bills -- have been an expedient way for Congress to protect these areas in the short run.

But clearly enactment of S. 760 is a better, longer-range approach.

Mr. Chairman, on a related subject, I want to take this opportunity to express my strong support for S. 2324, which is also before the Committee today.

The legislative history of the Coastal Zone Management Act clearly shows that Congress envisioned pre-leasing and leasing activities on the federal OCS be reviewed for consistency with state coastal zone management plans.

During the pre-lease stage, decisions are made on the size and location of tracts, the timing of the sale, and stipulations to which leases are subject. These decisions are critical to State coastal planning.

This bill restores to states the right to exercise limited authority over their coastal areas taken away by the Supreme Court's recent ruling in California v. Watt.

Though that case involved the consistency requirement in the context of an OCS lease sale, the decision is not limited to OCS leasing. It has far-reaching implications for many federal activities that impact State coastal zones, including ocean dumping, offshore toxics incineration and deep seabed mining.

I believe the consistency provision should be restored, as Congress intended, and as S. 2324 would insure.

Adoption of this legislation alone, however, will not eliminate the possibility that the areas I described earlier, some taken out of as many as four previous lease sales, may have to fight again to prevent inclusion in Lease Sale 80 in southern California, scheduled for October of this year, or Lease Sale 91 in northern California, the call for which has been deferred until sometime in 1985.

I urge the Subcommittee to act favorably on both S. 2324 and S. 760.

Senator WEICKER. Senator Cranston, thank you very much. Are there any questions?

Senator JOHNSTON. Senator Cranston, you referred to damage that would occur from OCS drilling.

Would you define the kind of damage you have in mind?

Senator CRANSTON. Well, the main point in seeking to protect these areas is that they are a beautiful part of the California and Massachusetts coasts which are enjoyed not only by the people of our State but by the people of the entire country and indeed many people from all over the world.

Senator JOHNSTON. What you mean is visual?

Senator CRANSTON. That is correct.

Senator JOHNSTON. You recognize that damage in terms of oil spills and that sort of thing is adequately protected against?

Senator CRANSTON. We are not so concerned about that, although that is a danger. There also is the danger to the fishing industry which is quite large in some of these areas.

Senator JOHNSTON. Would you see any difference in the danger to the fishing industry in California than in, for example, Louisiana where we have the largest estuary in the world and the richest and we think, we say very humbly the best fishing, where we have over 20,000 holes drilled and not a dead fish yet so far as we know?

Senator CRANSTON. You are talking about crabs and lobsters. That is different from the sort of fish that we get.

Senator JOHNSTON. We have red fish, red snapper, flounder, shrimp, crabs, oysters, red herring, trigger fish. We have the best sail fishing in the world, we think, in the Mississippi down there.

The point is, is there really any difference in quality or quantity or anything in California as far as its fishing industry is concerned than that in Louisiana, other than the fact that we have a lot more in Louisiana?

Senator CRANSTON. We, of course, think our fish are the best. We do not have the lobsters that they have off Cape Cod, nor do you in Louisiana, and they are particularly vulnerable apparently to damage that could come from oil.

Senator JOHNSTON. Lobsters—is there any evidence of that anywhere in the world?

Senator CRANSTON. Yes. As I understand it, there is. The drilling muds disturb the bottom of the sea where they live and where they fertilize.

Senator JOHNSTON. Do what?

Senator CRANSTON. Disturb the bottom.

Senator JOHNSTON. Drilling muds don't get in the bottom of the sea. Drilling muds are sealed off in a separate containment area.

Senator CRANSTON. That still can disturb lobsters, as I understand it.

Senator JOHNSTON. If it threw the mud out into the water it would.

Senator CRANSTON. I will let the Massachusetts Senator talk about the lobsters.

Senator JOHNSTON. Really what we are talking about, isn't it, is the fear that some people off one of these pretty areas will look out there and see a oil well derrick or maybe see a boat on its way to the oil well? Isn't that really about it?

Senator CRANSTON. Well, another problem in California is that the platforms are offshore. Prevailing winds blow in fumes, and we have enough problems presently with smog and polluted air in California, and this could add to that in some of the more delightful parts of California.

Senator JOHNSTON. Let me say I agree with Gary Hart when he says that his wife was lucky to get to go to California as opposed to being in other parts of the country. I love California, but really and truly, don't you think when you consider that 59 percent of the future oil in this country will come from the OCS, 39 percent of the natural gas according to the figures of the USGS, and also when you consider that acid rain is becoming a much greater problem. As for nuclear energy, we haven't started any nuclear plant in this country in a decade. When you consider all those facts, shouldn't we really look at OCS drilling to determine whether it really poses any danger? And isn't it not too much to ask someone to tolerate the sight of equipment more than 3 miles offshore—considering the air pollution near our populated coasts, it is hard to see 3 miles offshore anyway. That is really not too much to ask, is it?

Senator CRANSTON. Well, one of the problems is the onshore development associated with offshore development, but let me stress that I am a strong supporter of OCS drilling. I served on the State Land Commission of California for 8 years and we had more oil development during that time than in any previous time in the history of California, and I was instrumental in that, and this bill, S. 760, would only restrict the OCS drilling proposed by the Reagan administration to 4 percent. In other words, 96 percent would continue in areas where it is known or believed that there is oil and where there is not any environmental concern.

Senator JOHNSTON. You don't mean 96 percent of the hot areas, the desirable areas? It would be 96 percent of the total square miles?

Senator CRANSTON. No. My bill would exclude only 4 percent of the proposed area in the OCS drilling that is presently being considered. That 4 percent has all been protected once or more by Congress in past actions on the riders for appropriation bills, so we are not raising a new issue. I am raising an issue that Congress has considered and approved in the past, and that the purpose of this is to make it permanent for a, not forever, but for a substantial period of time rather than having to go through this process time after time after time when appropriation bills come before the Congress and when there are proposals to develop oil in those particular limited places.

Senator JOHNSTON. Thank you very much.

Senator WEICKER. If I might, just to elaborate a little bit, I have sat here as a spectator in this exchange, and I would point out just a few matters to my good friend from Louisiana.

No. 1, the climate in the waters encompassed by the State of Senator Cranston are a good deal more hostile than are the waters off Louisiana. The waters both off California and off the New England coast present, and further up in Alaska, present entirely different problems than confronted in the waters off Louisiana.

Second, the fact is that the drilling muds are exceedingly toxic. Right now most of those are being barged, or a lot I gather is being barged to dump sites, but should anything happen in there, you can have a big problem.

Third, as I mentioned in my opening statement, I would like to have a report on exactly what occurred from the ecological point of view after the Ixtoc oil spill. We don't have the results of that in hand yet.

Again, I say all of this being a supporter of the oil in the Outer Continental Shelf. I also speak as the Senator from the State in New England where the George's Bank area has 17 percent of the fishing resources of this country, and there has to be a balance I think between energy and food.

Believe me, when the world has its most trying moments, it will be either because of energy or because of food, and they both have to be preserved.

I just couldn't help but to interject in some of the comments that were made.

Senator JOHNSTON. If the Senator would yield, we will get into this with one of our expert witnesses. Most drilling muds are totally nontoxic. All are approved by EPA. Toxic drilling muds are used only in some instances where you need special qualities and then under very strict controls with EPA, but in an ordinary situation, drilling muds are nontoxic and are approved.

Senator CRANSTON. When you anchor drilling platforms offshore as happens in a lot of California work, you disturb a lot of the breeding ground and you disturb the sea bottom in ways that are not associated with drilling from barges.

Senator JOHNSTON. There is no known damage from that.

Senator CRANSTON. Well, allegedly there is to the breeding grounds of the fish.

Senator MURKOWSKI. Mr. Chairman.

Senator WEICKER. Senator.

Senator MURKOWSKI. If I may make an observation since we are sharing in general, drilling mud has been taken from an area in southeastern Alaska near Petersburg for a period of about 9 years, and it was a small island adjacent to some of the richest King Salmon, pink salmon, and dungeness crab areas. It was taken by a shovel and actually dragged until the surface of the island disappeared. Then it was through a conventional shovel dredged and transported to the North Slope where it was used, directly injected in the drill process.

My point is that there was no toxicity to it. This drilling mud was in its natural state in the ground adjacent to the areas where the salmon spawned and the crab in great numbers, and there may be in certain instances toxicity added to the drilling mud, but in its natural state it has no toxicity, and was certainly compatible with the immediate environment around it, so I think there is a matter of degree here in the analysis that we are talking about.

Senator JOHNSTON. If I may just interject one thing, in our little pond at my home in Shreveport, we scooped it out, pumped it out, and lined the bottom with benenite which is an oilfield mud in order to seal it. Then we filled up, stocked it, and there's a lot of fish in there.

Senator WEICKER. I had one last note—since I spend a fair amount of time on the bottom of the ocean floor, I understand this, that plain mud, plain dirt, can in and of itself, without any toxic substances in it, kill life on the ocean floor.

The best example of that is if you go to some of the developing islands in the Caribbean where the top soil is washing off into the ocean, and that mud, that dirt, is landing on the reefs and killing the reefs, so again it is not just a matter of toxicity. It is a matter that the mud itself can have an adverse effect on the ecological balance, and I have seen that. I have seen that in the Virgin Islands where the development of those islands in some areas is killing the reef just through the simple matter of soil washing into the Caribbean at that point.

If there is nothing further, I know Senator Hawkins is here. I do want to get to the secretaries. They are going to be with us. I would like to move things along.

Senator JOHNSTON. Mr. Chairman, if I may ask for this witness and all others to submit for the record if they do not have it in their statements all or any evidence that they have to the effect that OCS drilling adversely affects fishing.

Senator CRANSTON. Fine. I will be glad to do so. Thank you very much.

Senator WEICKER. Senator Hawkins.

STATEMENT OF HON. PAULA HAWKINS, A U.S. SENATOR FROM THE STATE OF FLORIDA

Senator HAWKINS. Good morning. I'm pleased to be able to share with the committee my thoughts on the controversial topic of offshore oil lease sales. I have a lot of thoughts, but I will submit them for the record and just highlight my thinking.

Let me begin by saying that although I sponsored a successful effort to impose a partial moratorium on offshore lease sales on the western coast of Florida last year, I do not believe moratoriums imposed by legislative action are proper or effective means of reaching a solution to the problems posed by Outer Continental Shelf leasing.

The question of where to permit such activity is a complex, largely technical one which Senator Johnston has taught me that many of us do not have the expertise to resolve. Some have more than others.

We have established through OCS legislation a lengthy, detailed process by which such decisions should be reached. Ideally this should resolve virtually all the issues arising under this program. Instead we have been faced over the past few years with circumstances which have left many Senators such as myself feeling that we had no choice but to seek legislative suspensions of OCS leasing activities to ensure that the leasing process was properly conducted.

The problems have arisen in two areas—sales proposed with inadequate environmental studies, and sales proposed with inadequate consideration of the economic impact. Unfortunately, actions by the Interior Department on these problems have been insensitive in the past. What has been so frustrating to me and others is that after going through the entire process of lawsuits, amendments for moratoriums, frantic meetings, post-midnight negotiations, we generally arrive at a mutually satisfactory solution for one particular sale. Then the entire chaotic process starts over again with the next sale proposal for the same area.

I simply cannot understand why a solution reached after such lengthy and painful disputes cannot be accepted as final, yet we seem set at least in Florida to replay the battles fought on the last southern Atlantic and eastern Gulf sales all over again.

I would like to take some of the Committee's time here to explain exactly what I am referring to. First, the southern Atlantic sale which is No. 90, is scheduled for next March. A similar sale, No. 78, was the occasion of great controversy just last year. Eventually, after a great deal of effort, agreement was reached between the Interior Department, the military, and NASA, and the State of Florida. Now the Department is preparing for the new sale as if the previous transaction had never taken place.

As you will recall, the military and NASA strongly opposed any sale south of the 31st degree of north latitude as this entire area proposed for leasing was in a restricted zone needed for activities connected with the space shuttle and military launching. The State of Florida opposed leasing in the same area over concerns of the lack of environmental data and the impact oil spills do have on our tourism industry. Eventually Interior agreed not to lease any areas within the restricted zone and signed a memorandum of understanding with the State specifying certain conditions on any exploration in the area and certain research activities to be conducted.

Now they are once again proposing leases in virtually the entire restricted zone, again over the objections of NASA and the Defense Department and in the waters covered by the agreement with Florida, even though the studies called for in the agreement are not completed.

Moreover, they are proposing leasing in areas which their own draft evironmental impact statement shows to be environmentally sensitive, and of no consequence to likely oil production.

I cannot understand the reason for once again attempting to secure leasing rights within the military and NASA restricted zone. While it may be possible to exert sufficient pressure to force these agencies to agree to leasing activity against their professional judgment to the contrary, any such decision would be readily recognized for what it was and would be actively resisted.

The entire question of leasing close-in offshore areas in Florida strikes me as being truly insensitive to the unique status of my State. Tourism is our No. 1 industry, bringing in more than $20 billion annually, and is our State's No. 1 employer. Much of the appeal, indeed the foundation of the appeal of this State, is its beautiful beaches and its clear water. The possibility of oil spills on these beaches is a potential nightmare for every Floridian.

Let me add that I know full well that technology has improved considerably since the Santa Barbara spill, that such spills are not particularly likely, and that the oil industry has developed techniques for cleaning up after spills in ways that leave little or no lasting environmental impact. All of that will be little comfort to Floridians if the national news shows one oil spill on Florida beaches. The environmental loss and economic repercussions could be devastating. This is why I proposed a buffer zone in connection with the gulf sales last year, so there would be time and space available to deal with spills before they wash ashore.

Are my concerns real? Let me quote directly from the draft environmental impact study. All of the following are direct quotes from Interior's EIS.

"Conclusion: The cumulative impacts from proposed and existing OCS sales in the Southern Atlantic region combined with non-OCS activities will post a major threat to avian resources which inhabit the region."

Second conclusion: "The cumulative effect of OCS and non-OCS activities on sensitive coastal areas in the region could result in the degradation and loss of many acres of valuable coastal habitat that would have a major impact on these areas."

Third conclusion: "Cumulative impacts could have a major impact on endangered birds and coastal species."

Fourth conclusion: "Cumulative impacts may have a major effect on endangered sea turtles."

Now all of these areas are only under study. No final decisions have been made. It may well be that Interior will once again decide not to lease in the contested area off the Florida coast, a decision I strongly urge on the Secretary.

However, I see no reason why this should even be considered in the first place given all that has occurred in the past.

I note from the news media that our Governor has proposed a moratorium on the sale. Although the State has not contacted me with their concerns, I would anticipate that they are largely those that I have discussed, and I would have to say that any call for a moratorium is premature since we don't know what will be proposed for leasing and there will be no justification for such action. However, I would add that if these sensitive areas are still under consideration when the final environmental impact statement is released, it will be rather difficult for the Florida delegation to avoid some legislative action on the matter.

Matters appear to be in somewhat better condition for the next eastern Gulf of Mexico sale, perhaps due to Secretary Clark's personal involvement in the matter. Several environmentally critical areas that were the focus of controversy last year have been deleted in advance and the remainder, including the offshore buffer zone which I believe is essential to protect our beacher from oil spills, are under study. Since this sale will not occur until fiscal year 1986, I will not go into it further at this time.

I do have two proposals which I would like to offer for your consideration which go to the heart of this situation that I am describing. Some action along these lines could go a long way toward resolving the problems that we still face.

First, to deal with the problem of rephasing the same environmental issues on every sale, I believe it might be worthwhile to require instead a single EIS to be prepared for each of the regional leasing areas in advance of any proposed sale. This will enable us to resolve the environmental issues before any proposed sale notices are issued and avoid ongoing controversies.

The only effect of my proposal would be to clearly establish on a permanent basis which areas within the various OCS leasing regions would be open and which areas will be closed to oil leasing.

My second suggestion is to increase the emphasis which must be given to nonenvironmental impacts of leases in determining which areas will be offered. Given the disparity between the projected oil supplies estimated to exist off Florida and the value of tourism which is dependent upon clean, white beaches and clear waters, no cost/benefit analysis would support close-in oil drilling. I am not suggesting a formal cost/benefit process, but rather that some means be found to require that this be taken into account to a greater degree than at present.

The economic value of Florida tourism so far outweighs the value of any oil that might be discovered that close-in offshore leasing should never have entered into anyone's mind in the first place. The fact that in the past it was implanted within the Interior Department to the virtual exclusion of all else strongly suggests to me that some changes need to be made.

I will be glad to work with the committee in the future on these matters, and I appreciate the opportunity to be with you today and submit my full statement for the record.

[The prepared statement of Senator Hawkins follows:]

OCS MORATORIA HEARING STATEMENT
Senator Paula Hawkins
June 26, 1984

Mr. Chairman:

I am pleased to be able to share with the Committee my thoughts on the controversial topic of offshore oil lease sales.

Let me begin my saying that although I sponsored a successful effort to impose a partial moratorium on offshore lease sales on the Western coast of Florida last year, I do not believe moratoriums imposed by legislative action are a proper or effective means of reaching a solution to the problems posed by Outer Continental Shelf leasing. The question of where to permit such activity is a complex, largely technical one which we in the Congress generally do not have the expertise to resolve.

We have instead established through OCS legislation a lengthy, detailed process by which such decisions should be reached. Ideally, this should resolve virtually all issues arising under this program. Instead, we have been faced over the past few years with circumstances which have left many Senators, such as myself, feeling that we had no choice but to seek legislative suspensions of OCS leasing activity to insure that the leasing process was properly conducted.

The problems have arisen in two areas--sales proposed with inadequate environmental studies, and sales proposed with inadequate consideration of the economic impact. Unfortunately, actions by the Interior Department on these problems has been insensitive at best.

What has been so frustrating to me and others is that after going through the entire process of lawsuits, amendments for moratoriums, frantic meetings, and post-midnight negotiations, we generally arrive at a mutually satisfactory solution--for one particular sale. Then the entire chaotic process starts over again with the next sale proposal for the same area.

I simply cannot understand why a solution reached after such lengthy and painful disputes cannot be accepted as final. Yet we seem set, at least in Florida, to replay the battles fought on the last Southern Atlantic and Eastern Gulf sales all over again. I would like to take some of the Committee's time here to explain exactly what I am referring to.

First, the Southern Atlantic sale (number 90) is scheduled for next March. A similar sale, number 78, was the occasion of great controversy just last year. Eventually, after a great deal of effort, agreement was reached between the Interior Department, the military and NASA, and the State of Florida. Now the Department is preparing for the new sale as if the previous transaction had never taken place.

As you will recall, the military and NASA strongly opposed any sales south of the 31st degree of north latitude, as this entire area proposed for leasing was in a restricted zone needed for activities connected with the space shuttle and military launches. The state of Florida opposed leasing in the same area over concerns of a lack of environmental data and the impact oil spills could have on our tourism industry.

Eventually Interior agreed not to lease any areas within the restricted zone,and signed a memorandum of understanding with the state specifying certain conditions on any exploration in the area and certain research activities to be conducted.

Now they are once again proposing leases in virtually the entire restricted zone, again over the objections of NASA and the Defense Department; and in the waters covered by the agreement with Florida even though the studies called for in the agreement are not completed. Moreover, they are proposing leasing in areas which their own draft environmental impact statement shows to be environmentally sensitive and of no consequence to likely oil production.

Inasmuch as part of the research in question, as noted in the draft EIS for the sale, deals in part with developing a model for predicting the paths and effects of oil spills, the Committee can understand why this raises concerns in Florida. Although Interior will undoubtedly protest that the information will be available before any permits for drilling are issued, this will miss the entire point of our concern. There is simply no reason why this critically important data should not be available before any additional sales are offered. It is difficult, if not impossible, for anyone to make reasonable comments on the sale proposal and its possible impact without having the oil spill projections.

I cannot understand the reason for once again attempting to secure leasing rights within the military/NASA restricted zone. While it may be possible to exert sufficient pressure to force these agencies to agree to leasing activity against their professional judgment to the contrary, any such decision would be readily recognizable for what it was; and would certainly be actively resisted by the Florida Congressional delegation.

The entire question of leasing close-in off-shore areas in Florida strikes me as being truly insensitive to the unique status of the State. Tourism is our number one industry, bring ing in more than $20 billion annually, and it is our state's number one employer. Much of the appeal--indeed, the foundation of the appeal--of the state is its beautiful beaches and clear waters. The possibility of oil spills on those beaches is a potential nightmare for every Floridian.

Let me add here that I know full well that technology has improved considerably since the Santa Barbara spill, that such spills are not particularly likely, and that the oil industry has developed techniques for cleaning up after spills in ways that leave little or no lasting environmental effects. All of that will be little comfort to Floridians, however, if the national news shows oil spills on Florida beaches. The environmental loss and economic repercussions could be devastating. This is why I and other members of the Florida delegation proposed the buffer zone in connection with the Gulf sales last year--so that there would be time and space available to deal with spills before they wash ashore.

The proposed lease area also covers several areas of extreme environmental and economic concern. Alternative 4 in the draft EIS notes that removal of 874 blocks from the sale to protect coastal and nearshore resources (mostly off the Florida coast) would protect areas containing 80% (by dollar volume) of Southern Atlantic commercial fisheries, and insure no oil platforms would be visible from tourist area, with negligible impact on estimated oil and gas recovery. These areas were studied in connection with sale 78, and this beneficial consequence known then. I do not understand why this area was then reoffered for consideration.

Similarly, Alternative 6 notes that removal of 766 blocks to protect the calico scallop and royal red shrimp grounds would result in the possible estimated loss of only 10 million barrels of oil. This area has been identified by the State of Florida as an area of special concern--and yet it too is again being studied for sale.

And again, Alternative 7 notes that removal of 10 blocks to protect the area nominated as the Oculina vericosa Marine Sanctuary would result in no probable oil loss. The draft EIS notes the area as highly susceptable to mechanical damage from drilling activity if leased--all information known in advance--and yet it too is being studies for lease again.

I would also like to note the projected environmental impact of leasing on some areas of concern to Floridians. All of the following are direct quotes from the draft EIS:

> "Conclusion: The cumulative impacts from proposed and existing OCS sales in the Southern Atlantic region combined with non-OCS activities will pose a major threat to avian resources which inhabit the region." (emphasis supplied)

> "Conclusion: The cumulative effect of OCS and non-OCS activities on sensitive coastal areas in the region could result in the degradation and loss of many acres of valuable coastal habitat that would have a major impact on these areas."
>
> "Conclusion: Cumulative impacts could have a major impact on endangered birds and coastal species."
>
> "Conclusion: Cumulative impacts may have a major effect on (endangered) sea turtles."

Now all of these areas are only under study, and no final decisions have been made. It may well be that Interior will once again decide not to lease in the contested area off the Florida coast--a decision I strongly urge on Secretary Clark. However, I see no reason why this should even be considered in the first place, given all that has occurred in the past.

I note from the news media that our governor has proposed a moratorium on the sale. Although the state has not contacted me with their concerns, I would anticipate that they are largely those I have discussed. I would have to say that any call for a moratorium is premature, since we do not know what will be proposed for leasing; and there may well be no justification for such action. However, I would add that if these sensitive areas are still under consideration when the final Environmental Impact Statement is released, it will be rather difficult for those of us in the Florida delegation to avoid some legislative action on the matter.

Matters appear to be in somehwat better condition for the next Eastern Gulf of Mexico sale, perhaps due to Secretary

Clark's personal involvement in the matter. Several environmentally critical areas that were the focus of controversy last year have been deleted in advance, and the remainder, including the offshore buffer zone which I believe is essential to protect our beaches from oil spills, are under study. Since this sale will not occur until FY 86, I will not go into it further at this time.

Some possibilities for change in the way these sales are conducted have occurred to me as a result of all this. I have cosponsored S.2357, requiring OCS activities to be consistent with state coastal zone management plans, as a means of insuring that the Department of Interior's attention remains focused on accomodating legitimate state interests. I am not certain that it is the answer to the problem, and in some respects, particularly coverage of the military, it may go too far. But I do believe it continues to represent a useful bargaining tool, and in some form may well help resolve the matter.

More specifically, however, I have two proposals which I would like to offer for your consideration which go to the heart of the situation I have described. Some action along these lines could go a long way towards resolving these problems we are all facing.

First, to deal with the problem of rehashing the same environmental issues on every sale, I believe it might be worthwhile to require instead a single EIS to be prepared for each of the regional leasing areas--in advance of any proposed sales.

This will enable us to resolve the environmental issues before any proposed sale notices are issued, and avoid ongoing controversies. If any area is determined to be too environmentally sensitive for drilling, the advance determination will not only reassure the public, but prevent the oil industry from spending money examining an area which might later be ruled out of bounds for them. Any such change would probably need some trigger mechanism, perhaps modeled on the "substantial scientific information" provisions of the Endangered Species Act, to deal with environmental concerns raised after the EIS was finalized, to prevent the continual raising of new issues as a means of blocking leases. The Interior Department would continue to be required to meet the existing environmental requirements prior to issuing drilling permits, and to impose appropriate stipulations and mitigation requirements. Any significant new information or developments could of course be incorporated into the EIS as provided by existing law.

The only effect of this proposal would be to clearly establish, on a permanent basis, which areas within the various OCS leasing regions would be open and which areas would be closed to oil leasing.

My second suggestion is to increase the emphasis which must be given to non-environmental impacts of leases in determing which areas will be offered.

Given the disparity between the projected oil supplies estimated to exist off Florida and the value of tourism, which is dependent upon clean beaches and waters, no cost-benefit analysis would support close-in oil drilling. I am not suggesting a formal cost-benefit process, but rather that some means be found to require that this be taken into account to a greater degree than at present.

All our conversations with Interior officials have revealed a virtually single-minded concern with oil development. They are full of information on how unlikely spills are, and how well they can be controlled and cleaned up. But nowhere have we encountered any concern for, or more than casual acknowledgment of, the possible economic impact of their activities on non-oil resources.

I fully agree with them, as I have noted, that spills are unlikely, and that the technology for dealing with the problem is well-advanced. What I have not been able to secure in return is an acknowledgment of the economic disaster that the unlikely spill would cause as it came ashore, to the accompaniment of national publicity, on Florida's beaches; and the fact that the estimates of close-in oil resources off the Florida coast simply are too low to justify taking this risk. The economic value of Florida tourism so far outweighs the value of any oil that might be discovered that close-in off-shore leasing should never have entered into anyone's mind in the first place. The fact that it instead is implanted within the Interior Department to the virtual exclusion of all else strongly suggests to me that some changes need to be made.

Let me close by saying that these are merely suggestions. I have no concrete proposals pending and no specific plans to draft legislation. I have not investigated the feasibility of either in depth, and I have not made any decisions as to whether to pursue the matter. But I do believe they should be considered as possible solutions for some of the problems we have faced on this issue.

Senator **Weicker**. We still have Senator Wilson's statement to receive. I know both Secretaries are with us and I know their time is somewhat limited. Unless there are pressing questions of Senator Hawkins, I would like to proceed if we could to Senator Wilson so I can get to the two Secretaries that are with us.

Is there anything that is burning on the mind of my colleagues to direct to Senator Hawkins?

Senator **Johnston**. I will let my questions sizzle for a while.

Senator **Weicker**. Thank you very much.

Senator **Murkowski**. I have one question very, very briefly. In the conclusion which was stated, you stated that cumulative impacts upon proposed existing OCS sales in the South Atlantic Region combined with non-OCS activities—there was not much emphasis on the non-OCS activities, and I don't think it is necessary to go into this now.

Senator **Hawkins**. I have it in my full statement.

Senator **Murkowski**. If you could state the emphasis on that as well because it doesn't appear it is that fair.

Senator **Hawkins**. Surely. I have a list of those, and I will submit it for you. You and I both are supposed to be in foreign relations.

Senator **Weicker**. Senator Wilson.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator **Wilson**. Thank you very much, Mr. Chairman. I am grateful to you and the members of the committee for holding these hearings.

I think we would all agree whatever our differing views upon how the management of OCS should be accomplished that it should not be done by appropriations fiat. I think that the problem should be dealt with as you are attempting to deal with it, here rather than through the appropriations process.

Last April I introduced S. 1103. It was designed to postpone OCS oil and gas development off certain sections of California through 1994. Let me say at the outset there is no magic about that date. I announced at the time it was arbitrarily chosen. It was sought to afford adequate time to permit the kind of review of the complex problems that beset offshore leasing and development, and it seems to me that many of these remain unresolved at this point, notwithstanding some rather heroic efforts to date.

My interest in this area is obvious. It is now new, however. I expressed similar views many, many years ago when I was then mayor of San Diego. Now I find many of the concerns that I was concerned with in a local manner are in fact statewide.

Let me also suggest that the views that I am about to express are shared by a great many people, and I have here for the record a list of a number of coastal communities, cities, and counties, some page long list of cities, counties. They include the cities of San Francisco, Los Angeles, and San Diego, virtually all of the coastal counties—San Luis Obispo, the County Governments Association, the Monterey Bay area governments, those of the Southern California Association of Governments, a number of convention and visitors bureaus. I would spare the committee repetition and say that I can fully appreciate and associate myself with the comments of my colleague from Florida with respect to the importance of tourism to her State and to mine.

The considerations apply with equal force to California where with the possible exception of agriculture, tourism is also the No. 1 employer.

Mr. Chairman, a number of friends, friends in the oil industry have counseled me, and I am sure you, that we should disregard these local expressions of concern in deference to a national oil interest and interest in attaining a national energy self-sufficiency, and they have indicated that that dictates a largely unrestrained development of the Outer Continental Shelf.

Well, I think we all would agree that we must do what we can to achieve energy self-sufficiency to avoid dependency on foreign imports. I have weighed those local interests against the national interest, and I come before you today continuing to support a moratorium, and I reemphasize the moratorium is not one of definite length. It is indefinite in the sense that I hope that it will be required only to respond to the questions that I raised, but the reason for support of this continuing delay in the leasing of certain areas off California arises from the fact that there simply does not appear to be enough oil in these areas targeted by my proposed moratorium to justify taking the risks of the development, especially in the light of the alternative sources available.

I apologize—I think I swallowed a bayou of Senator Johnston's frogs this morning!

It is impossible obviously to know exactly how much recoverable oil can be found off the coast of California, but the Department of the Interior has compiled some estimates that are useful in this regard.

Based on Geologic Survey data and taking into account recent discoveries, it is estimated that 26.48 billion barrels of undiscovered oil are left in the Federal Outer Continental Shelf. It is expected that nearly 46 percent of this undiscovered oil will be found off of Alaska, 20 percent in the Gulf of Mexico, another 20 percent off the Atlantic coast, and only 13 percent or 3.4 billion barrels of oil, off California's coast.

If all this California OCS oil were to be recovered today, it would provide only 77 percent of the national oil consumption for 1 year. Let me underscore this point. We are not talking about the petroleum reserves off California to keep this country in oil through the end of the century, not through the end of the decade, not even though 1 full year. Developing California's OCS is not going to free us from dependence on foreign oil and other oil sources.

This is not to say that California is not prepared to contribute its part to energy independence. We don't think that we or Florida or anyone else can declare ourselves Camelot and off limits to making this, our contribution to this national energy self-sufficiency, but California is and it has been contributing for years. Of the 3.4 billion barrels of oil expected to be found off California, most of it will be recovered from oil rich areas that are specifically excluded from my moratorium bill. Few people know that the first OCS platform was built in the Santa Barbara Channel in the 1890's. This area as well as the billion barrel field off of Point Arena will continue to produce even if my moratorium bill becomes law.

Combining the 67 million barrels presently produced annually from California's OCS with the 32 million barrels produced onshore make California the third largest oil producing State in the Nation, but this brings me back to the underlying point. The amount of oil to be recovered in the moratorium areas off California may be significant to a single oil company, and I in no way demean that fact, but weighing, balancing the competing interests, I think that that cannot be found to justify the risks of development when viewed in terms of national energy needs, and certainly not before we have addressed remaining concerns.

In this case, I think that we would have to say that the local interests certainly for the time being override the national.

What are the risks that I speak of with respect to California OCS development? They are in large part unique to California, and I think are deserving of the committee's special consideration.

First, much of California's Outer Continental Shelf, especially in southern California, drops off rapidly from the coast, the first 3 miles of which are within the State's jurisdiction. South of Point Arena, the 350 meter contour line is located almost entirely within 12 miles of the mean high tide line. This is significant in that present technology allows the siting of production platforms in water not deeper than 350 meters. This means that any Federal OCS development will have to occur from close to shore.

Coastal communities of California are alarmed by the prospect of this kind of near-shore development. An oil spill of even moderate size can have a devastating effect on the world-renowned beaches of California. This is an unacceptable risk to the economies of those coastal communities who in large part rely on beach and ocean-oriented recreation and tourism.

Oil spills do happen—rarely, but they do happen, and when they do, we all have seen what the effects can be. It seems all too often that I read of another oil tanker accident spilling thousands of barrels of oil into the sea, and there is little doubt that oil produced on the California OCS would be tankered. This is what was contemplated in the draft environmental impact statement for lease sale 80 before a southern California OCS moratorium was imposed by the fiscal year 1984 Interior appropriations bill, and even if some of this oil were to be piped ashore, I am informed that oil tankers will still be required because limited refinery capacity in California will require tanker transport of newly produced crude oil through the Panama Canal and into the Texas refineries.

I remember when former Secretary Watt came selling his 5-year OCS plan. One of his principal points was that oil tankers are the No. 1 cause of oil spills. He has convinced me. Near-shore California should not be subjected to this kind of risk, and it will be inescapable.

Another problem with near-shore development is that of air pollution. The prevailing winds off California are onshore winds. This causes problems for coastal communities which are already in nonattainment with the Clean Air Act and which are trying to cope with the resulting restrictions on new construction. According to the California Air Resources Board, the emissions associated with 1 exploratory drilling operation are equivalent to 5,000 1982 passenger cars traveling 50 miles per day for 1 year. It hardly seems fair to allow unrestricted near-shore OCS development when onshore industry—San Diego and Los Angeles and Orange County—have to pay the price in terms of stepped-up air quality controls and growth restrictions.

Now the Minerals Management Service recently announced its intention to promulgate air quality regulations within 2 years. I welcome this initiative, and I look forward to reviewing its results. However, I think we would be getting ahead of ourselves by proceeding with OCS leasing before resolving major issues such as air quality control.

My final point with regard to proposed near-shore OCS development relates to visual pollution. Oil platforms located 12 to 15 miles off the coast are considered unsightly and could negatively affect property values and tourism. I have explored the possibility of slant drilling or subsea development with the oil industry, but have found that this kind of technology is not yet fully developed.

Other technology still in its infant stages relates to deep water production. As I indicated earlier, producing platforms presently cannot be sited at least I am told by the oil industry, cannot be economically sited in water deeper than 1,000 feet which places them less than 12 miles from California's coastline, and in many areas much closer, within the 6-mile limit.

However, experimental deep water platforms are being tested in the Gulf of California and in the North Sea. It would seem far more prudent, far safer, to permit this kind of experimental technology within the 20 miles, or excuse me, not to permit it within the 20 miles of California's heavily populated coastline and better to develop this technology far from shore in the gulf and in the North Sea where they can be experimentally located many miles from the coastline.

All of these development hazards—tanker spills, air pollution, deep water production problems—can and should be addressed by the Department in consultation with State and local concerns. This has not happened. It is in process. I have been told just this morning by Mr. Bettenberg that they are continuing to work with the State of California, with Secretary Duffy, on air pollution problems, and I also wish to say as I am sure many other witnesses will, but I think Secretary Clark deserves to be commended for his sensitivity to local concerns. He has demonstrated that by the changes that he has ordered in the OCS leasing program, but I would have to say that I think that there are problems remaining even with the heroic efforts that he has made.

I think that the legislation that you are considering, the Packwood legislation, that requires a consistency review, deserves the committee's support. We have a different understanding of it. The Secretary believes that it imposes a virtual veto on offshore leasing. To me, it requires that there be a consistency review. If the Federal Government, the Department, then wishes to go forward notwithstanding objections of the State in their own coastal zone management efforts, the Federal Government may do so. The States are then left to some judicial remedy, but I do not think that there is an absolute veto, and I do think there is a requirement if we are go have meaningful cooperation and the kind of protection to which the coastal States are entitled.

The administration continues to oppose OCS revenue sharing. I support it. I think that needs to be resolved.

In the interest of time, Mr. Chairman, and I recognize that you have both Secretary Clark and Secretary Lehman here, I will conclude by saying that I think these problems must be resolved. I think that the efforts that have been made deserve commendation. They are more than a marked improvement, but I also feel that California has special problems. It shares some with other coastal jurisdictions, but unlike Atlantic OCS exploration and development 50 miles offshore, we are talking about 6 to 12 miles offshore. That does make a considerable difference.

[The prepared statement of Senator Wilson follows:]

REMARKS BY SENATOR PETE WILSON

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

COMMITTEE ON ENERGY AND NATURAL RESOURCES

OCS DEVELOPMENT

UNITED STATES SENATE

JUNE 26, 1984

10:00 A.M.

SD 366

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, YOUR WILLINGNESS TO HOLD THESE HEARINGS TODAY IS MUCH APPRECIATED. THE QUESTION OF OCS DEVELOPMENT HAS BECOME SO HOTLY CONTESTED THAT WE NEED THIS KIND OF A FORUM TO ALLOW OPPOSING VIEWS TO BE AIRED AND, HOPEFULLY, PROVIDE THE BASIS FOR RATIONAL ACTION. ACTION BY APPROPRIATION FIAT IS NOT THE APPROPRIATE VEHICLE AND I WOULD HOPE THAT THIS COMMITTEE WILL TAKE MOVE TO OBVIATE THE NEED TO DEAL WITH THIS ISSUE THROUGH THE APPROPRIATIONS PROCESS.

LAST APRIL 20, 1983, I INTRODUCED S. 1103 WHICH IS DESIGNED TO POSTPONE OCS OIL AND GAS DEVELOPMENT OFF OF CERTAIN SECTIONS OF CALILFORNIA THROUGH 1994. THAT I TOOK THIS ACTION SHOULD BE OF NO SURPRISE TO ANYONE. AS MAYOR OF SAN DIEGO IN 1978, I ENCOURAGED FORMER SECRETARY CECIL ANDRUS TO DELETE 26 OCS TRACTS FROM LEASE SALE #48 OFF THE COAST OF SAN DIEGO. AT THE TIME, I FELT LEGITIMATE CONCERNS WERE BEING EXPRESSED BY THE LOCAL CHAMBER OF COMMERCE AND OTHERS.

AS A CALIFORNIA SENATOR, I AM REPRESENTING THE SAME CONCERNS STATEWIDE THAT I REPRESENTED AS A SAN DIEGO MAYOR. THE PEOPLE OF CALIFORNIA OPPOSE NEARSHORE OCS DEVELOPMENT. CONTRARY TO ANY POLLING INFORMATION THAT IS MADE AVAILABLE BY THE OIL INDUSTRY, THE LATEST MERVIN FIELD CALIFORNIA POLL REVEALS THAT LESS THAN HALF -- 43 PERCENT -- SUPPORT OFFSHORE OIL DRILLING. THIS FIGURE IS A SUBSTANTIAL DROP FROM THE 57 PERCENT OF POLLED CALIFORNIANS WHO SUPPORTED DRILLING IN 1979.

ALSO ON RECORD AGAINST OCS DEVELOPMENT ARE THE MAJOR COASTAL CITIES OF CALIFORNIA: SAN FRANCISCO, LOS ANGELES, AND SAN DIEGO. NEARLY EVERY COASTAL COUNTY BOARD OF SUPERVISORS, AS WELL AS A SCORE OF SMALLER COASTAL COMMUNITIES, HAVE ALSO OFFICIALLY REGISTERED THEIR OPPOSITION TO NEARSHORE OCS DEVELOPMENT. I WOULD LIKE TO ENTER FOR THE RECORD A LIST OF NINETEEN COASTAL CITIES, ELEVEN COASTAL COUNTIES, AND FOUR ASSOCIATIONS OF LOCAL GOVERNMENT WHO SUPPORT CONGRESSIONAL INITIATIVES TO DELAY OCS LEASING. FINALLY, I WOULD NOTE THAT WELL OVER HALF OF THE CALIFORNIA HOUSE DELEGATION -- 26 MEMBERS -- JOIN SENATOR CRANSTON AND MYSELF IN SUPPORT OF LEASING MORATORIA.

WITH THIS PREPONDERANCE OF OPPOSITION TO OCS DEVELOPMENT, I WOULD BE IN GREAT ERROR TO REPRESENT CALIFORNIA'S CONCERNS ANY OTHER WAY THAN I HAVE CHOSEN TO.

I HAVE A GREAT MANY FRIENDS IN THE OIL INDUSTRY WHO WOULD HAVE ME DISREGARD THESE LOCAL EXPRESSIONS OF CONCERN IN DEFERENCE TO THE NATIONAL INTEREST WHICH SUPPOSEDLY DICTATES THE UNRESTRAINED DEVELOPMENT OF THE OCS. WELL, I HAVE WEIGHED THE LOCAL INTEREST AGAINST THE NATIONAL INTEREST, AND I STILL SUPPORT LEASING DELAYS. MY REASON IS SIMPLE. THERE SIMPLY DOES NOT APPEAR TO BE ENOUGH OIL IN THE AREAS TARGETED BY MY PROPOSED MORATORIUM TO JUSTIFY TAKING THE RISKS OF DEVELOPMENT -- ESPECIALLY WHEN ALTERNATIVE ENERGY SOURCES ARE AVAILABLE.

IT IS IMPOSSIBLE TO KNOW EXACTLY HOW MUCH RECOVERABLE OIL CAN BE FOUND OFF THE COAST OF CALIFORNIA, BUT THE DEPARTMENT OF THE INTERIOR HAS COMPILED SOME ESTIMATES THAT ARE USEFUL IN THIS REGARD. BASED ON GEOLOGICAL SURVEY DATA AND TAKING INTO ACCOUNT RECENT DISCOVERIES, IT IS ESTIMATED THAT 26.48 BILLION BARRELS OF UNDISCOVERED OIL ARE LEFT IN THE FEDERAL OUTER CONTINENTAL SHELF. IT IS EXPECTED THAT NEARLY 46 PERCENT OF THIS UNDISCOVERED OIL WILL BE FOUND OFF ALASKA, 20 PERCENT IN THE GULF OF MEXICO, ANOTHER 20 PERCENT OFF THE ATLANTIC COAST, AND ONLY 13 PERCENT, OR 3.4 BILLION BARRELS OF OIL, OFF OF CALIFORNIA. IF ALL OF THIS CALIFORNIA OCS OIL WERE TO BE RECOVERED TODAY, IT WOULD PROVIDE ONLY 77 PERCENT OF THE NATIONAL OIL CONSUMPTION FOR ONE YEAR. LET ME UNDERSCORE THIS POINT. WE ARE NOT TALKING ABOUT PETROLEUM RESERVES OFF OF CALIFORNIA TO KEEP THIS COUNTRY IN OIL THROUGH THE END OF THE CENTURY, THE END OF THE DECADE, OR EVEN THROUGH ONE YEAR. DEVELOPING CALIFORNIA'S OCS IS NOT GOING TO FREE US FROM DEPENDENCE ON FOREIGN OIL.

THIS IS NOT TO SAY THAT CALIFORNIA IS NOT PREPARED TO CONTRIBUTE ITS PART TO ENERGY INDEPENDENCE -- IT IS AND IT HAS BEEN CONTRIBUTING FOR YEARS. OF THE 3.4 BILLION BARRELS OF OIL EXPECTED TO BE FOUND OFF CALILFORNIA, MOST OF IT WILL BE RECOVERED FROM OIL RICH AREAS THAT ARE SPECIFICALLY EXCLUDED FROM MY MORATORIUM BILL. FEW PEOPLE KNOW THAT THE FIRST OCS PLATFORM WAS BUILT IN THE SANTA BARBARA CHANNEL BACK IN THE 1890'S. THIS AREA, AS WELL AS THE BILLION BARREL FIELD OFF OF POINT ARENA, WILL CONTINUE TO PRODUCE EVEN IF MY MORATORIUM BILL WERE TO BECOME LAW.

COMBINING THE 67 MILLION BARRELS PRESENTLY PRODUCED ANNUALLY ON CALIFORNIA'S OCS WITH THE 32 MILLION BARRELS PRODUCED ONSHORE CALIFORNIA MAKE IT THE THIRD LARGEST OIL PRODUCING STATE IN THE UNION.

THIS BRINGS ME BACK TO MY UNDERLYING POINT. THE AMOUNT OF OIL TO BE RECOVERED IN THE MORATORIUM AREAS OFF OF CALILFORNIA MAY BE SIGNIFICANT TO A SINGLE OIL COMPANY, BUT HARDLY JUSTIFIES THE RISKS OF DEVELOPMENT WHEN VIEWED IN TERMS OF NATIONAL ENERGY NEEDS. IN THIS CASE, THE NATIONAL INTEREST DOES NOT OVERRIDE THE LOCAL INTEREST.

WHAT ARE THE RISKS OF CALIFORNIA OCS DEVELOPMENT? THESE RISKS ARE IN LARGE PART UNIQUE TO CALIFORNIA AND DESERVE SPECIAL CONSIDERATION.

8

MUCH OF CALIFORNIA'S OUTER CONTINENTAL SHELF, ESPECIALLY IN SOUTHERN CALIFORNIA, DROPS OFF RAPIDLY FROM THE COAST, THE FIRST THREE MILES OF WHICH ARE WITHIN STATE JURISDICTION. SOUTH OF POINT ARENA, THE 350 METER CONTOUR LINE IS LOCATED ALMOST ENTIRELY WITHIN TWELVE MILES OF THE MEAN HIGH TIDELINE. THIS IS SIGNIFICANT IN THAT PRESENT TECHNOLOGY ALLOWS THE SITING OF PRODUCTION PLATFORMS IN DEPTHS OF WATER NOT DEEPER THAN 350 METERS. THIS MEANS THAT ANY FEDERAL OCS DEVELOPMENT WILL HAVE TO OCCUR VERY CLOSE TO SHORE.

COASTAL COMMUNITIES OF CALIFORNIA ARE ALARMED BY THE PROSPECT OF THIS KIND OF NEARSHORE DEVELOPMENT. AN OIL SPILL OF EVEN MODERATE SIZE CAN HAVE A DEVASTATING EFFECT ON THE WORLD RENOWNED BEACHES OF CALIFORNIA. THIS IS AN UNACCEPTABLE RISK TO THE ECONOMIES OF COASTAL COMMUNITIES WHO, IN LARGE PART, RELY ON BEACH AND OCEAN ORIENTED RECREATION AND TOURISM.

OIL SPILLS DO HAPPEN. IT SEEMS ALL TO OFTEN THAT I READ OF ANOTHER OIL TANKER ACCIDENT SPILLING THOUSANDS OF BARRELS OF OIL INTO THE SEA. AND THERE IS LITTLE DOUBT THAT OIL PRODUCED ON THE CALIFORNIA OCS WOULD BE TANKERED. THIS IS WHAT WAS CONTEMPLATED IN THE DRAFT ENVIRONMENTAL IMPACT STATEMENT FOR LEASE SALE #80 BEFORE A SOUTHERN CALIFORNIA OCS MORATORIUM WAS IMPOSED BY THE FY 84 INTERIOR APPROPIATIONS BILL. EVEN IF SOME OF THIS OIL WERE PIPED ASHORE, I AM INFORMED THAT OIL TANKERS WOULD STILL BE REQUIRED. LIMITED REFINERY CAPACITY IN CALIFORNIA WOULD REQUIRE TANKER TRANSPORT OF NEWLY PRODUCED CRUDE OIL THROUGH THE PANAMA CANAL AND INTO THE TEXAS REFINERIES.

I REMEMBER WHEN FORMER SECRETARY WATT CAME AROUND SELLING HIS FIVE-YEAR OCS PLAN. ONE OF HIS PRINCIPAL POINTS WAS THAT OIL TANKERS ARE THE NUMBER ONE CAUSE OF OIL SPILLS. I AM CONVINCED. NEARSHORE CALIFORNIA SHOULD NOT BE SUBJECT TO THIS KIND OF RISK.

ANOTHER PROBLEM WITH NEARSHORE DEVELOPMENT IS AIR POLLUTION. THE PREVAILING WINDS OFF OF CALIFORNIA ARE ONSHORE WINDS. THIS CAUSES PROBLEMS FOR COASTAL COMMUNITIES WHO ARE ALREADY IN NON-ATTAINMENT WITH THE CLEAN AIR ACT AND TRYING TO COPE WITH THE RESULTING RESTRICTIONS ON NEW CONSTRUCTION. ACCORDING TO THE CALIFORNIA AIR RESOURCES BOARD, THE EMISSIONS ASSOCIATED WITH ONE EXPLORATORY DRILLING OPERATION ARE EQUIVALENT TO 5,000 1982 PASSENGER CARS TRAVELING 50 MILES PER DAY FOR ONE YEAR. IT HARDLY SEEMS FAIR TO ALLOW UNRESTRICTED NEARSHORE OCS DEVELOPMENT WHEN ONSHORE INDUSTRY IN SAN DIEGO OR LOS ANGELES HAS TO PAY THE PRICE IN TERMS OF STEPPED UP AIR QUALITY CONTROLS AND GROWTH RESTRICTIONS.

THE MINERALS MANAGEMENT SERVICE RECENTLY ANNOUNCED ITS INTENTION TO PROMULGATE AIR QUALITY REGULATIONS WITHIN TWO YEARS. I WELCOME THIS INITIATIVE AND LOOK FORWARD TO REVIEWING ITS RESULTS. HOWEVER, I THINK WE WOULD BE GETTING AHEAD OF OURSELVES BY PROCEEDING WITH OCS LEASING BEFORE RESOLVING MAJOR ISSUES SUCH AS AIR QUALITY CONTROL.

MY FINAL POINT WITH REGARD TO PROPOSED NEARSHORE OCS DEVELOPMENT RELATES TO VISUAL POLLUTION. OIL PLATFORMS LOCATED 12 TO 15 MILES OFF THE COAST ARE CONSIDERED UNSIGHTLY AND COULD NEGATIVELY AFFECT PROPERTY VALUES AND TOURISM BUSINESS. I HAVE EXPLORED THE POSSIBILITY OF SLANT DRILLING OR SUBSEA DEVELOPMENT WITH FRIENDS IN THE OIL INDUSTRY, BUT HAVE FOUND THAT THIS KIND OF TECHNOLOGY IS NOT YET FULLY DEVELOPED.

OTHER TECHNOLOGY STILL IN ITS INFANT STAGES RELATES TO DEEPWATER PRODUCTION. AS I INDICATED EARLIER, PRODUCING PLATFORMS PRESENTLY CANNOT BE SITED IN WATER DEEPER THAN A 1,000 FEET, WHICH PLACES THEM LESS THAN TWELVE MILES FROM CALIFORNIA'S COASTLINE. HOWEVER, EXPERIMENTAL DEEPWATER PLATFORMS ARE BEING TESTED IN THE GULF OF MEXICO AND IN THE NORTH SEA. IT WOULD BE UNSAFE TO PERMIT THIS KIND OF EXPERIMENTAL TECHNOLOGY WITHIN 20 MILES OF CALIFORNIA'S HEAVILY POPULATED COAST. IT WOULD BE BETTER TO DEVELOP THIS KIND OF TECHNOLOGY IN THE GULF AND THE NORTH SEA WHERE EXPERIMENTAL PLATFORMS CAN BE LOCATED MANY MILES FROM ANY COASTLINE.

ALL OF THESE DEVELOPMENT HAZARDS -- TANKER SPILLS, AIR POLLUTION, VISUAL POLLUTION, DEEPWATER PRODUCTION PROBLEMS -- COULD AND SHOULD BE ADDRESSED BY THE DEPARTMENT OF THE INTERIOR IN CONSULTATION WITH STATE AND LOCAL CONCERNS. BECAUSE THIS HAS NOT HAPPENED, I HAVE RELUCTANTLY OPTED FOR A TEMPORARY LEASING BAN ON CERTAIN TRACTS.

SINCE TAKING OFFICE, SECRETARY BILL CLARK SHOULD BE COMMENDED FOR THE SENSITIVITY TO LOCAL CONCERNS THAT HE HAS DEMONSTRATED AND THE CHANGES HE HAS ORDERED IN THE OCS LEASING PROGRAM. FOR EXAMPLE, THE MODIFICATIONS SECRETARY CLARK HAS MADE TO LEASE SALE #80 MAKE THIS A SALE THAT I, AND MOST OTHER CALIFORNIANS, CAN NOW SUPPORT.

HOWEVER, EVEN WITH THE PROGRESS MADE BY SECRETARY CLARK, FUNDAMENTAL CHANGES IN THE ADMINISTRATION'S POSTURE HAVE NOT BEEN MADE THAT WOULD PERMIT ME TO WITHDRAW MY SUPPORT FOR MORATORIUM LEGISLATION. FOR EXAMPLE,

-- THE ADMINISTRATION OPPOSES COASTAL ZONE MANAGEMENT ACT AMENDMENTS THAT WOULD FORMALIZE STATE INPUT INTO THE LEASING PROCESS;

-- THE ADMINISTRATION ALSO OPPOSES OCS REVENUE SHARING LEGISLATION THAT WOULD HELP COASTAL COMMUNITIES COPE WITH THE EFFECTS OF OCS DEVELOPMENT;

IN A MORE GENERAL SENSE, I AM NOT CONVINCED -- EVEN WITH ALL THE POSITIVE OVERTURES FROM SECRETARY CLARK -- THAT THE MINERALS MANAGEMENT SERVICE IS FULLY PREPARED TO WORK WITH CALIFORNIA ON OCS DEVELOPMENT. I HAVE BEEN INFORMED, FOR EXAMPLE, THAT THE MMS INTENDS TO ABANDON, FOR FUTURE LEASE SALES, AN AIR QUALITY CONTROL AGREEMENT THAT WAS PAINSTAKINGLY NEGOTIATED ON LEASE SALE #73 WITH CALIFORNIA'S SECRETARY OF THE ENVIRONMENT, GORDON DUFFY. MMS TELLS ME THAT THE EMISSION CONTROLS CONTAINED IN THIS AGREEMENT ARE TOO RESTRICTIVE. DUFFY, FOR HIS PART, INFORMS ME THAT HE IS MOST DISTURBED BY THIS NEW DEVELOPMENT. THIS REPRESENTS TO ME ONLY ANOTHER EXAMPLE OF THE PROBLEMS THAT THE DEPARTMENT OF THE INTERIOR HAS IN WORKING WITH CALIFORNIA.

UNTIL THE ADMINISTRATION CAN DEMONSTRATE THAT IT CAN EFFECTIVELY WORK WITH CALIFORNIA STATE AND LOCAL ENTITIES IN THE DEVELOPMENT OF THE OCS, I WILL CONTINUE TO SUPPORT MORATORIUM LEGISLATION. I URGE THIS COMMITTEE TO DO THE SAME AND THANK YOU FOR HEARING ME TODAY.

PETE WILSON
CALIFORNIA

COMMITTEES:
ARMED SERVICES
AGRICULTURE, NUTRITION, AND FORESTRY
SPECIAL COMMITTEE ON AGING

United States Senate
WASHINGTON, D.C. 20510

List of cities and counties supporting congressional initiatives to delay leasing of sensitive California offshore areas:

City of San Francisco
City of Los Angeles
City of San Diego
City of Santa Monica
City of Newport Beach
City of Point Arena
City of Santa Cruz
City of Marina
City of Scotts Valley
City of Capitola
City of Del Rey Oaks
City of Seaside
City of Monterey
City of Atascadero
City of Morro Bay
City of Pismo Beach
City of Oceanside
City of Grover City
City of Arroyo Grande

County of San Luis
County of Santa Barbara
County of Monterey
County of Santa Cruz
County of Mateo
County of San Francisco
County of Marin
County of Sonoma
County of Mendocino
County of Humboldt
County of San Diego

San Luis Obispo Council of Governments
Association of Monterey Bay Area Governments
San Diego Association of Governments
Southern California Association of Governments
Convention and Visitors Bureaus

Senator WEICKER. Senator, thank you very, very much. Are there questions from the panel?

Senator JOHNSTON. Mr. Chairman, I would just simply invite Senator Wilson to submit for the record any evidence he has that OCS drilling adversely affects fishing. If there is, and if you do have that evidence, I would appreciate it if you would submit it for the record.

Senator WEICKER. Thank you very much.

Senator MURKOWSKI. Mr. Chairman.

Senator WEICKER. Senator Murkowski.

Senator MURKOWSKI. I certainly appreciate the concern that my colleague from California has on the impact of any OCS.

One of my concerns is the reality that if it is not imposed in other areas, it is going to spot in Alaska and we might do more than our fair share.

I would like to point out one of the inconsistencies that I find continually appalling is the inability of how we get there from here, how we resolve those problems. I can only reflect back on the time when there was a proposal by SOHIO and a number of other companies to take Alaska oil and import it at Long Beach and unload it and use existing pipelines to move that oil to the Gulf Coast States where it would be refined.

As you will recall, there was a great deal of opposition to that by the California legislature and the Governor and the Port of Long Beach and others, because they didn't want the concentration of traffic associated with the exposure and perhaps oil spills and so forth, so now we are moving that oil down to Panama across a foreign country, moving it at a distance of an additional 3,200 miles at great cost to the American taxpayer, yet all the ships that are involved in movement of that oil go into the Port of Long Beach today and fuel because there is no fueling facility in Valdez or Panama, so some have estimated there is as great a concentration of ships as a consequence of fueling as there would have been had they been allowed to unload that oil in the Port of Long Beach, so again I would share the dilemma with my colleague as to just how we end up completing the circle and add the cost to the consumers of the United States, which certainly isn't in their best interests, but I do appreciate his concern.

Thank you, Mr. Chairman.

Senator NICKLES. Mr. Chairman.

Senator WEICKER. Senator Nickles.

Senator NICKLES. Just one brief question—Senator Wilson, one of my concerns has been not just the moratorium that we have seen enacted but the trend as it has rapidly expanded, and one of the areas where it has expanded substantially is the language that you supported last year that increased the moratorium acreage, I guess, for California.

You mentioned that you were hoping for a moratorium of 10 years, but that wasn't in concrete. Do you think next year there will be, either for the 1985 bill or the 1986 bill, that there will be additional acreage that will be sought out by either yourself or other members of the California delegation trying to expanded the moratorium acreage off California?

Senator **Wilson**. Senator Nickles, I think that what you will find is that Secretary Clark and I and others share a general approach. When he comes before you I think he will say that he has been arguing the approach that will allow a case-by-case analysis rather than broad restrictions or broad leasing, and I think that is the only intelligent way that it can be approached.

I will have to say that I think that the job that he has done with respect to lease sale 80—I think perhaps I omitted to say this, but let me state it for the record—he has done, I think, an excellent job with respect to lease sale 80, a good enough job so that I can now say that I am in support of it because it is the kind of careful, very careful analysis and exclusion of sensitive tracts that is warranted even in the face of the mandate which he will tell you we imposed from the Congress in 1978.

Under lease sale 80 he has pushed out the exclusion even further than I am asking in my moratorium legislation, in fact, considerably so.

In response to concerns that probably will be stated by Secretary Lehman having to do with defense considerations and with other considerations as well, that is the kind of thing that I think need be done, and I have been as specific as possible this morning stating what I think are the unresolved problems, but I also think that the kind of thing that he is trying to do should be required of any succeeding Secretary; if there were someone less sensitive than Secretary Clark in the office, if there were a different administration, if you had a situation where there was not a consistency review, and the opportunity for the State, in this case California, but other States as well, to make abundantly clear what their concerns are on a tract-by-tract basis, you might not get the kind of results that we have achieved working together on lease sale 80

Senator **Nickles**. Will you be asking for additional acreage moratorium for 1985 as compared to what you were able to put it at in 1984?

Senator **Wilson**. I anticipate that at such time as the Department undertakes leasing in the central and northern areas, that the State government of California and my office will be working with him on the same kind of analysis that we understood with respect to 80, but what we are asking for at this point in the bill is 12 miles in addition to the State 3 for the remaining area that is not yet leased and not yet under development.

Senator **Nickles**. Thank you, Mr. Chairman.

Senator **Weicker**. Thank you very much. We appreciate it, Senator.

Secretary Clark is our next witness and we have your statement. It's a pleasure to have you here. You may proceed.

STATEMENT OF HON. WILLIAM P. CLARK, SECRETARY OF THE INTERIOR; ACCOMPANIED BY HON. JOHN F. LEHMAN, JR., SECRETARY OF THE NAVY; AND BILL BETTENBERG, DEPARTMENT OF THE INTERIOR

Secretary **Clark**. Thank you, Mr. Chairman, for the invitation to be here. I will attempt to be brief. I will submit the written statement for the record.

Frankly, as Secretary of the Interior, I have a problem, and that problem is carrying out what I consider to be a very clear law supported by this committee in 1953 and by clear amendments in 1978 under the OCS Lands Act amendments. By background, experience, and profession, I try to review any issue, whether here or at the Department, by first examining the law and then attempting to apply the facts in compliance with the law.

Now the 1953 and 1978 laws clearly directed the Secretary of the Interior to get offshore, find oil and gas, and produce them. As I have stated publicly as recently as yesterday in an interview in U.S. News and World Report, this committee and the Congress were prescient in enacting these laws. They provide that the benefits and detriments of offshore leasing should be spread among the several geographical regions and the coastal States. They also call for simplementation of a 5-year plan, and my predecessors have attempted to follow that law. I suggest this morning that existing offshore leasing moratoriums begun in 1982 no longer serve a good purpose. I understand the necessity—or at least the rationale—for that moratorium in 1982 which, was to be limited to an emergency situation. But if the existing 52 million acres remain in moratoriums, or if the proposed 147 million acres should be placed in moratoria, I suggest we simply cannot fulfill either the mandate of the Congress or what I consider to be the mandate of the people to reduce our 30-percent-plus dependency on foreign oil.

I might add that in addition to the OCS Act, we also have the Coastal Zone Management Act which was a bipartisan enactment to require consistency between Federal offshore and State coastal zone programs. That, too, is a clear statement of law, which needs no further amendment. It is up for reconsideration and reauthorization next year, as you are aware.

Placing the law aside for just a moment, Mr. Chairman, we should take a long look at the facts. We have, as I said a moment ago, a 30-percent-plus dependency on foreign oil. Last year the American people spent $52 billion on imported oil. That is equal to three-quarters of our total trade deficit in that year. Today, our imports are increasing. We are up to 5 million barrels a day. A year ago we were at about 3½ million barrels, so the prospect is not good.

Additionally, today's production is down offshore. Prudhoe Bay will peak out and start into decline in less than 4 years and of course, as production declines, so does income. What once was $10 billion a year in royalties and bonus payments is declining at a rate in excess of $1 billion a year.

From the standpoint of production, Mr. Chairman, we still do not have a producing oil or gas well off the coast of Alaska or off the Atlantic coast even though Congress told us in 1978 that offshore development should be balanced among the geographical areas. In excess of 90 percent of our production offshore in Federal waters is from the Gulf of Mexico and that is hardly parity or balance among the several geographic regions.

In addition, of course, we have to contend with strategic considerations in our offshore development program. While we have a 30-percent-plus crude oil dependency, the Soviet Union is a net oil and gas exporter—no small concern in our policy of deterrence in our relationship with the Soviet Union. I have covered most briefly the law and facts as they relate to our offshore development situation, and I would now like to proceed to the issue of moratoriums.

We have 52 million acres now under moratoriums. I think it should be of interest to this committee that we have less than 20 million acres under lease. That is one-third of what Great Britain has under lease offshore; 20 million is one-fifth of what Canada has leased offshore by way of comparison. Our 20 million under lease is a small part of over 4 billion acres over which the Department of the Interior of the United States has jurisdiction. I hope this gives the committee some idea of what we have and have not leased, what we have and have not produced offshore.

As I mentioned a moment ago, there is a real decline in offshore production. Only 10 percent of our crude oil production comes from offshore and some 24 percent of our natural gas comes from offshore.

Now I would like to turn for just a moment—having heard from our two distinguished Senators from California this morning—to my native State.

I share their concerns. I am a fourth generation Californian, with children and grandchildren. I might add we watched that 1969 blowout off Santa Barbara in horror. That was 15 years ago. But again, looking at the requirements of the 1978 law, California simply has not been able to make its proportionate contribution offshore, for many reasons. I think that we should recognize that three-quarters of all offshore wells off California are in State waters. There isn't that much Federal production.

Additionally, by reason of the political and social atmosphere that has been created on issues of offshore drilling in California, industry has lost interest. Last year we had 12 exploratory rigs off California. At the moment, we have only four. About 6 weeks ago Arco forfeited a $30 million investment, walking away from a leased area which was considered to be one of the highest potentials of all offshore tracts. Arco simply did not wish to risk further litigation and further regulatory obstacles which impeded exploration and development off the coast of California.

As Senator Wilson has pointed out, at Interior we did not wait for another law which would require us to consult with States in leasing tracts—we have commenced those consultations because they are the correct procedures. We thus feel there is no necessity for a CZMA amendment which would effectively give States a veto over the first step of our leasing process as now proposed. In implementing our consultative process, we did not wait for Justice Sandra Day O'Connor to write an opinion for the majority of the Supreme Court urging greater consultation, which opinion I might add, is far more limited in scope than has been suggested by those proposing the CZMA amendments, Mr. Chairman. I feel many have overreacted in suggesting these amendments.

We announced in January at a meeting at the OCS Advisory Board at a time before the Supreme Court opinion that we were refining the leasing process, moving case by case, issue by issue, State by State, and that we were going to begin—and we have now implemented—a front-loading process so that consultations with States would take place during the first 4 months rather than after the 12th month. By this process the local concern of which Senator Wilson spoke will not be disregarded.

On the contrary, we have held hearings and conferences county by county—I am referring again to California for the moment—resulting in deferral of any consideration of northern California for leasing at least into next year, which means that even if we should reconsider leasing next year based upon industry interests, local sentiment and the Governor's views, it would be after 1987 before there would be even a lease sale in northern California.

On the southern California sale, as Senator Wilson graciously pointed out, Interior worked very closely with State, local and environmental groups and reduced the offered acreage by two-thirds after conferring in great depth with our colleagues at the Defense Department on training, transit, and testing exercises. We manicured the offering to the point that most of the prospective wells, if any are ever drilled, will be out-of-sight distance from the shore. I think we have to remember that distance to be 15 miles on the best day of the week if a Federal offshore rig is to be sighted from the shoreline.

In our latest sale, North Atlantic, the closest rig will be 50 miles from shore. This is no small item among environmental concerns, and I share those concerns with the different environmental groups. I believe their principal concern is no longer over a spill, which we have not had for 15 years, but instead are esthetic concerns. I don't enjoy seeing these rigs off our coast in California. As I say, three-quarters of them are in California rather than Federal waters. There have to be certain tradeoffs in the esthetic area, and as a result of this latest sale, most rigs will be out of sight.

With regard to spillage in California I am reliably informed that we spilled but 13 barrels last year, from offshore exploration and production. That is miniscule compared to the leakage from one natural fissue off Santa Barbara—Coal Oil Point—which dumps 22,000 barrels a year into the sea. We are trying to remedy that condition. In fact, we are working with one of the producers in the area, who, at no profit, is willing to try to solve that difficult environmental issue. Realizing that we have 21 million offshore acres under lease and we have existing moratoriums of 52 million acres and proposed moratoriums of 147 million acres, I feel, Mr. Chairman, that we simply cannot comply with the mandate of the Congress in following a 5-year plan.

Industry can't plan, recognizing its interests and responsibilities. One person last week suggested that a major company may conclude that investing its exploration and development capital in Treasury bills is probably the more prudent planning for next year, if we are unable to remove what many of us consider to be unreasonable moratoriums. Last week, I am happy to report, the House removed the continuing moratorium on coal leasing, feeling that we have demonstrated a program and a willingness to foster consultation on a case by case basis. I would ask that Congress consider approaching offshore leasing in a similar way, as we go from area to area determining well in advance of the 22d month of the process whether we should continue in the leasing process. I might add that industry has indicated in consideration of this consultative approach, that they will act with far more candor than has perhaps been the case in the past in disclosing well in advance what tracts in which they have a real interest sharing far more of their intentions and their information than they have in the past.

We are interested in implementing this program, again in the national interest, Mr. Chairman. I have nothing further at this time, Mr. Chairman.

I will be happy to attempt to answer questions from the Senators.

[The prepared statement of Secretary Clark follows:]

Testimony of William Clark
Secretary of the Interior
before the
Senate Energy and Natural Resources Subcommittee
on Energy Conservation and Supply
June 26, 1984

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to appear today to testify on issues related to Outer Continental Shelf (OCS) leasing.

First, I wish to emphasize the importance of the OCS program. Careful studies, some undertaken at Congressional request, have shown that U.S. dependence on foreign oil is still a most critical issue. We have shifted our crude oil purchases over the past 6 years to more reliable foreign sources, but we still import one-third of the oil we consume, and the import rate has been increasing this year. These imports cost $52 billion in 1983, equivalent to three-quarters of our 1983 balance of payments deficit. Unfortunately, many of our allies are much more dependent on imports and their supply sources are much less reliable. A major supply disruption in foreign imports could trigger renewed international shortfalls and another round of sharp price increases with serious effects on our economy.

Based on current knowledge of worldwide oil and gas reserves and consumption trends, we must anticipate over the next several decades that import dependency for the United States and its allies will increase and supply security will diminish steadily and significantly. For the United States, production from our traditional reserves in the Gulf States region has declined steadily, year-by-year, over the past decade. OCS production, though up somewhat in the last several years, is less than in 1973, and production from the remaining 48 States has just managed to remain constant. Quite simply, what has maintained overall U.S. production at a relatively constant level since 1976 has been production from the Prudhoe Bay discovery through the Trans-Alaska Pipeline. Prudhoe Bay production, however, is expected to begin its decline within the next 5 years and we have not discovered new sources of supply to replace Prudhoe Bay production and production from other declining domestic reserves. In this context, the OCS is an important source of energy and is expected to remain so well into the next century.

At the end of 1983, America's offshore production represented about 11 percent of total domestic oil production and 24 percent of domestic natural gas production. OCS resources are predicted by many to contain over half of our future domestic petroleum reserves. Yet, after nearly a decade of exploration in the Atlantic and Alaska waters, we have no commercial production. We have had encouraging discoveries in the Gulf of Mexico and off California, but again, we anticipate that these will serve primarily to offset declines in other OCS production.

Every day we deplete resources located in those areas already under production. Just to maintain current levels of production, we must continually discover and develop new reserves. The Department seeks to be responsive to this requirement, not only because it is the necessary and correct thing to do but also because it is what you -- the Congress -- have directed the Department to do. We sometimes forget that in 1978 a Congress and President of the same party mandated the Department to engage in "expedited exploration and development of" the OCS in order to "assure national security, reduce dependence on foreign sources, and maintain a favorable balance of payments in world trade." We honor that mandate and, until there is other direction, it will be our foremost guideline in all OCS activity.

Each of you understands the importance of domestic energy production both now and in the future. Questions remain, however, as to when, where, and how we will develop our oil and gas resources. The issues you have asked me to address today concern these questions.

The OCS Program

Even though Congress established the framework for the OCS program in the relatively recent OCS Lands Act Amendments (OCSLAA) of 1978 and section 307(c)(3) consistency requirements of the Coastal Zone Management Act (CZMA) of 1972, the requirements of the Department of the Interior's OCS oil and gas leasing program are not well understood. The law provides for a progressive Federal decision and State consultation process which requires:

° development of a 5-year oil and gas leasing program which is prepared during a rigorous 2 year process;

° a thorough planning and decision process designed to establish the size, timing, location, and specific conditions of individual lease sales, which again takes 2 years;

° approval of exploration plans which are subject both to our own rigorous environmental and procedural requirements, and State CZM consistency requirements if the OCS activity affects a land use or water use in the coastal zone; and

- approval of development and production plans submitted by lessees prior to approval of actual offshore operational activities, if commercial discoveries are made.

These development and production plans are again subject to our own rigorous requirements and, for various aspects, requirements of the Coast Guard, the Corps of Engineers, the Environmental Protection Agency, and the Office of Pipeline Safety. They are also subject to the section 307(c)(3) consistency requirements of the CZMA. In fact, every well, every platform, every pipeline, and every onshore facility directly affecting the coastal zone is subject to section 307(c)(3).

Section 18 of the OCSLAA requires the Secretary of the Interior to "prepare and periodically revise and maintain an oil and gas leasing program that will best meet national energy needs . . ." Several important policy requirements are imposed on the development of this program, most notably requirements to consider:

- economic, social, and environmental values of the renewable and nonrenewable resources contained in the OCS;
- equitable sharing of developmental benefits and environmental risks among the various OCS regions:
- potential impacts of oil and gas activities on other resource values of marine, coastal, and human environments;
- laws, goals, and policies of affected States which have been specifically identified by the Governors; and
- CZM programs developed and administered by coastal States.

It is important to remember and understand that the current 5-year leasing program was initially developed by Interior Department career professionals to address the steady decline in OCS oil production and to better meet the law's requirements to balance acceleration of OCS exploration and development with protection of the environment. In a major change from previous programs, which offered only 4 percent of the OCS for lease in 26 years, the new program was designed to offer opportunities for leasing in 18 major planning areas -- ten off the coast of Alaska, and eight off the coast of the contiguous States -- between 1982 and 1987. The 5-year offshore leasing program was approved in July 1982, after Congressional review, 19 months of detailed consultations with 23 affected States, and amassing an administrative record totaling some 5,000 pages.

The program was designed to make sure that almost all good prospects for exploration would be made available first and give the private sector a greater opportunity to identify tracts it believed held the most promise for oil and gas. But it also allows companies with unique exploration strategies to test prospects that their competitors might ignore. It offered tracts within the 18 planning areas in 1, 2, or 3 year intervals based on a variety of factors, including anticipated production potential. The 5-year program responded to the primary purposes of the OCSLAA: namely "expeditious and orderly" exploration and development of America's offshore oil and gas resources -- to make these resources available "as rapidly as possible," assure national security, reduce dependency on foreign sources, and ensure that the Nation's consumers have stable and adequate supplies of reasonably priced energy. In achieving these goals, the Secretary of the Interior must protect the coastal and marine environments and "assure the receipt of fair market value for the lands leased and rights conveyed" by a lease.

The 5-year leasing program was, by a July 5, 1983, unanimous decision of the D.C. Circuit Court of Appeals, upheld against all legal challenges. The Court dismissed outright 14 consolidated petitions brought by five States and several environmental groups. By so doing, the Court eliminated a potential major obstacle to the successful implementation of the offshore program. The Court ruled that "all the factors Congress specified have been fully and satisfactorily considered." To go a step further, the Court concluded that the preparation for the program was so thorough that it even "went beyond what was required by the statute." As a result, the Court found that the program is fully consistent with congressional directives and strikes the "proper balance between the potential for environmental damage over the potential for the discovery of oil and gas, and the potential for adverse impacts on the coastal zone."

Upon taking office, I reviewed the 5-year program as one of my top priorities. In my remarks on January 12, 1984, to the OCS Policy Committee, I reaffirmed, "Our OCS policy must and will remain as stated by Congress in 1978. We are committed to expeditiously exploring the OCS and to encouraging production while protecting the ocean and coastal environment." I did, however, conclude that procedural changes were necessary in the 2 year process leading to individual sales within the 5-year program. As a result I announced the following:

- The basic concept of areawide consideration of tracts to be studied for potential lease offerings still has validity -- there is no reason to depart from it at this time.

- We will not drag through the full planning process those areas where the level of industry interest is minimal and where conflicts exist with other uses. We will attempt to resolve State, environmental and military conflicts much earlier in the total process.

- We propose to make more key decisions in the Area Identification step of the leasing process, which is the stage when the area of leasing interest is defined through analysis and review in a draft environmental impact statement (DEIS). If a given tract does not meet the preliminary tests of potential energy value versus other multiple-use-values, such as fishing, military concerns, or environmental or scenic considerations, then a tract can be dropped from further consideration.

- Communication and consultation will be strengthened by periodically publishing a listing of planning milestones, by referring to sales by name and number, by reinstituting early "scoping" meetings, and by increasing the number of public hearings held on a Draft Environmental Impact Statement (DEIS).

- To facilitate early balancing of hydrocarbon potential with environmental, economic, and defense interests, the oil and gas industry is urged -- indeed expected -- to identify more precisely at the beginning of the leasing process where they wish to lease.

- Industry interest, information gleaned from earlier sales, and Minerals Management Service (MMS) analysis of geologic and geophysical information will be carefully examined to refine the original area of consideration into smaller, but perhaps more precise areas of leasing interest.

° Requirements of CZM programs and policies will be considered at each stage of the planning process leading up to a lease sale.

These changes have been implemented over the past 5 months on a sale-by-sale, issue-by-issue basis as we have made decisions for each planning area at each step in the 2 year leasing process. These decisions have included deferral of sales in two OCS planning areas -- Barrow Arch in Alaska and Central and Northern California; removal of substantial acreage in other areas such as the Diapir and North Aleutian Basin in Alaska, Southern California, and the North and Mid Atlantic, as well as many other sale specific terms and conditions for leasing and lease operations. I have included an appendix to this testimony which details many of the refinements made in the program over the past 5 months. Refinement of the 5-year program has continued in accordance with these basic guidelines.

Major OCS Issues:

OCS Leasing Moratoria

The Fiscal Year (FY) 82 83 and 84 Interior and Related Agencies Appropriations Acts all contain prohibitions on the leasing of certain areas of the OCS. In addition, eight separate bills aimed at placing certain additional areas of the OCS under leasing moratoria have been introduced in the 98th Congress. This is regrettable, because it represents a trend on the part of the Congress to statutorily exclude specific areas of the offshore leasing program, thus indirectly contravening the section 18 and 19 evaluation and balancing requirements required to be performed by the Department in implementing the Act. Each year these exclusions have become greater in terms of both the acreage affected and limitations imposed upon the Department.

For example, in the FY 82 Interior and Related Agencies Appropriations Act (P.L. 97-100), section 109 of that Act prohibited the Department from expending funds for the "procurement, leasing, bidding, exploration and development" of the four northern basins in the Central and Northern California Planning Area. The FY 83 Appropriations Act (P.L. 97-394) expanded that prohibition to include the entire portion of the planning area from Morro Bay north to the Oregon border, a distance of approximately 550 miles. In the course of one year the acreage placed under moratorium offshore California increased from 736,000 acres to over 35 million acres. In addition, the FY 83 Appropriations Act prohibited the leasing of 55 canyonhead blocks in the Mid-Atlantic Planning Area, an additional 318,000 acres.

The FY 84 Appropriations Act (P.L. 98-146) extended the Central and Northern California prohibition for another year and added moratoria for 1.5 million acres in the Southern California Planning Area and 7.2 million acres in the Eastern Gulf of Mexico Planning Area. Also, 8.2 million acres in the North Atlantic were restricted, and the Department was prohibited from taking prelease steps for future sales, thus effectively extending the moratorium beyond 1985.

All told, the FY 84 Appropriations Act places a moratorium on over 52 million acres of the OCS. This is almost twice the amount of acreage currently under lease. Assuming that the moratoria were to remain in effect for 10 years, over 2.2 billion barrels of oil equivalent (BOE) would be delayed from exploration and production. The net economic value* costs of this delay are estimated at over $4.8 billion.

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* Net economic value is defined as the discounted sum of all production revenues minus the costs of finding, developing and transporting the resource to market. It represents the benefit to the U.S. economy from oil and gas production.

There are those who argue that these moratoria only remove from lease consideration the acreage in question for a year. However, each year since FY 82 the prohibitions on leasing have been expanded or extended by Congress. In addition, some members have proposed that new moratoria be added in FY 85 for areas in Alaska (St. George and North Aleutian Basin) and portions of the South Atlantic. Given these facts, we therefore have seen no evidence which would allow us to conclude that this trend will not continue. If these moratoria are enacted, the total acreage affected could reach over 147 million acres, or almost five times as much acreage as is currently under lease. If moratoria in the DOI FY 84 Appropriations Act and additional areas in Alaska and the South Atlantic were incorporated into the Department's FY 85 Appropriations bill, and assuming that these moratoria were to remain in effect for 10 years, the following impacts would occur: over 3.9 billion BOE would be delayed from exploration and production, and the net economic value costs of this delay are estimated at over $6.1 billion.

These leasing restrictions have the effect of limiting the future availability of domestically produced oil and gas. Several years of lead time, often more than a decade, can be required to explore and bring substantial production on line. By eliminating potential resource areas from consideration until some future time, nationally important energy resources will not be available until some yet more distant year. In addition, restrictions preclude us from inventorying those resources, from determining what we have in our energy "bank." Finally, moratoria interject uncertainty into the leasing process and make it difficult for industry to make the necessary long range planning and capital investment expenditures necessary to inventory our energy resource base.

Due to prohibitions against exploration in prime areas of industry interest, there could be fewer good prospects and fewer large reserves to be found. It would be particularly unnecessary to incorporate the moratoria now found in the FY 84 Appropriations Act into the FY 85 Appropriations bill since no lease sales are planned in these areas during FY 85.

The Department of Defense has legitimate concerns regarding leasing in particular tracts, which we continually seek to address. In those cases where negotiations through our Memorandum of Agreement with the Department do not resolve all the differences, the bottom line is simple: If the Department of Defense does not agree to lease a specific area, the Department of the Interior will not offer the area for lease.

If, in the last analysis, it becomes necessary to defer leasing on various tracts for defense reasons, we will not hesitate to do so. Further, I would note that if compromises can be reached to accommodate complex defense and energy activities, there appears to be little reason that similar compromises cannot be reached to accommodate fishing, aesthetic, environmental or other concerns.

Therefore, the Department has opposed OCS leasing moratoria in the past and will continue to do so. Existing statutes and procedures as well as changes in the prelease process I have instituted will enable us to meet both the goal of increasing domestic energy supplies and that of the protection of natural resources.

Proposed Amendments to the Coastal Zone Management Act (CZMA)

Some coastal States have expressed concern regarding the recent Supreme Court decision that OCS lease sales are not covered by provisions of section 307(c)(1) of the CZMA. However, I believe that existing statutory provisons, including sections 18 and 19 of the OCSLAA, section 307(c)(3) of the CZMA, section 7 of the Endangered Species Act (ESA), and the National Environmental Policy Act (NEPA) are fully appropriate and adequate to resolve actual coastal conflicts.

Coastal States are given various opportunities both by statute and by the procedures we have implemented to influence and participate in decisionmaking. As I have already indicated, section 18 of the OCSLAA requires that I consult with coastal States in developing a balanced 5-year leasing program. Once the program is developed, it is then sent to the State and to the Congress for further comment prior to approval. Under section 19 of the OCSLAA, I must carefully consider comments of Governors of affected coastal States regarding the size, timing, and location of individual lease sales as part of the sale specific balancing process. I must accept the Governors' recommendations if they provide for a reasonable balance between the national interest and well-being of the citizens of the affected States. I have earlier outlined the changes we have implemented to increase and improve State consultation efforts, including consideration of State CZM concerns.

These changes, which have a firm basis in the law, respond to the States' legitimate concerns about consistency of coastal management issues in the leasing process.

After leasing, but prior to any drilling activity on a tract, both the OCSLAA and the CZMA contain safeguards to ensure that those activities will be carried out in a manner which will consider and, in most cases, accommodate State concerns.

Section 307(c)(3)(B) of the CZMA provides coastal States with a further opportunity to approve an operator's certification of consistency of development plans with their approved CZM programs. The Minerals Management Service cannot issue any permits in conjunction with either OCS exploration or development and production activities until State consistency concurrence has been given, unless the Secretary of Commerce "overrides" the State's objection on appeal by the lessee, based on a finding that the plan is consistent with the objectives of the CZMA or is necessary in the interest of national security. Only two exploration plans and one development plan have been appealed to the Secretary of Commerce. All three cases are still undergoing review and, therefore, no State CZM determinations have been overridden by the Secretary of Commerce. I have included as appendix to this testimony a detailed description of how these post lease steps are reviewed under the various statutes which apply.

At recent House and Senate hearings on proposed amendments to section 307(c)(1) of the CZMA, the Administration testified in opposition to both bills (H.R. 4589 and S. 2324). We also reviewed and submitted comments on S. 2324 as reported by the Senate Commerce, Science and Transportation Committee. We oppose this version as well.

The bills could be interpreted to require that most, if not all, Federal agency activities must be "fully consistent" with State CZM programs. This requirement would impose undue administrative and litigative burdens, thus undermining the purposes of the CZMA. We are also concerned that the pending legislation to amend the CZMA would, if enacted, give coastal State interests precedence over the national interest, even if the Federal agency activities in question were completely unrelated to the land and water uses in the coastal zone. The bills could subject Federal programs with important national objectives to the preferences of individual coastal States whenever those programs have any potential effect on the coastal zone, even if the effects were indirect or inconsequential. The effect could be to give each State what is, in effect, a veto over nearby Federal leasing plans as well as other Congressionally mandated or authorized Federal activities.

This problem is further complicated where several States are involved, as in the case with an oil and gas lease sale in the Atlantic. Although a majority of the States may find the sale to be consistent with their individual CZM programs, any one State's nonconcurrence would prohibit a sale which other States believe is fully compatible with their programs and which is important to national objectives. We have already had instances where a majority of States determined that a sale was consistent, but one or two other States found it to be inconsistent. We have also had instances where States opposed a Federal sale and then found nearby exploration and development activities consistent with their State programs. In other cases, they have approved proposed sale areas in one year yet opposed these same areas in the next.

Not only could the legislation severely restrict the OCS program, it could also have detrimental impacts on other Departmental programs. Since the bills were introduced, the Bureau of Land Management, the National Park Service (NPS), the U.S. Fish and Wildlife Service (FWS), and the Bureau of Reclamation have expressed concerns similar to the ones I have raised today.

The NPS, for example, has expressed concern because the pending legislation contains no clearly articulated legal authority for Federal agencies to follow standards that are environmentally more restrictive than standards or requirements contained in States' coastal zone management programs. The existing regulations already provide this authority to Federal agencies (see 15 CFR 930.39(d)). In the absence of such authority, the proposed full consistency language could result in permanent harm to the environmental fabric of coastal areas.

The FWS is concerned that the legislation would interfere with various activities necessary to properly manage essential migratory waterfowl and other wildlife habitat located in the Service's more than 150 coastal refuges. The Bureau of Reclamation is concerned that it will incur wasted effort and expense because the legislation could require consistency determinations at a premature stage of construction planning, when the project study might be terminated for any number of reasons and before any actual on-the-ground effects of a project can be determined.

I want to call particular attention to the relationship between S. 2324 and the action of the Supreme Court. S. 2324 does not modify the existing usage or define the term "Federal activity" as used in section 307(c)(1). As we pointed out in our June 14 report to the Senate Committee on Commerce, Science and Transportation, we concur in views expressed by the Department of Justice that none of the amendments currently proposed to the CZMA would be effective to subject lease sales to section 307(c)(1) consistency.

This conclusion is based on the Supreme Court's holding that OCS lease sales do not constitute "activities" conducted or supported by a Federal agency within the meaning of section 307(c)(1). The language of the proposed legislation does not address this aspect of the Court's holding. While we hold this view, there is little doubt that the issue would again be tested in court, likely subjecting the program to more years of litigation. I have included the Justice Department's analysis of this issue as an appendix to my testimony.

At best then, the legislation would be ineffective in achieving the majority of its proponents' objectives. At worst, it would be an unwise, overly broad interference with the Federal Government's pursuit of important national objectives.

Mr. Chairman, permit me to summarize. The national interest requires diligent OCS exploration and development. This can only occur through a carefully planned leasing process and rigorous environmental and operational requirements set forth by statute, regulation and procedure. Current laws and procedures under the OCS Lands Act amendments and section 307(c)(3) of the CZMA meet these tests. Leasing moratoria and further consistency legislation are counter-productive. They are not in the national interest and must be resisted.

This concludes my prepared remarks. However, I would be pleased to answer any questions Members may have.

APPENDIX I

Summary of OCS Program Modifications

Early Resolution of Conflicts

° Call for Information:

-- More specific information requested than in previous Calls, especially from industry on specific rather than broad areas of interest.

-- Information requested on potential coastal zone management (CZM) conflicts associated with future exploration and development proposals.

-- List of information pertinent to the area of study included in the Call (i.e., studies funded by the Department's Environmental Studies Program and environmental impact statements (EIS's), and other documents relevant to a proposed sale in the area).

-- Calls issued reflecting these changes:

Sale 100, Norton Basin
Sale 107, Navarin Basin
Sale 104/105, 1986 Gulf of Mexico sales

° Area Identification:

-- Focus the area of further study and proposed leasing. Areas will be deleted where significant multiple use conflicts exist and the potential for hydrocarbon discovery is low. Military use areas inappropriate for joint use with OCS activities may also be deleted from further study at this stage.

-- Area Identification decisions reflecting these changes:

Sale 111, Mid Atlantic (Example provided)

-- The following sales were modified after Area Identification but prior to the release of the draft EIS and reflect the new initiatives:

Sale 92, North Aleutian
Sale 94, Eastern Gulf of Mexico
Sale 102, Western Gulf of Mexico

Increased Coordination and Consultation with Affected States and Increased Opportunity for Public Participation

° The Minerals Management Service (MMS) is in the process of formalizing procedures for increased consultation with affected States for upcoming sales as well as those currently in process. (A summary of the proposed procedures is provided.)

° Early coordination is initiated prior to publication of the Call, informing the Governor of the upcoming prelease milestones.

- Comment periods providing for review of proposed actions have been extended:
  - -- Call for Information - from 30 to 45 days (e.g., Sale 100, Sale 107, and subsequent sales).
  - -- Draft EIS - from 45 to 60 days (e.g., Sale 88, 90, 89, and subsequent sales).
- Public scoping meetings have been reinstituted and the intent to hold meetings is announced in the Federal Register with the publication of the Call for Information/ Notice of Intent to Prepare an EIS. The date and location of scoping meetings, if not announced in the Call, are announced in a subsequent Federal Register Notice.
  - -- Scoping meetings have been announced for Sale 111, Sale 100, and Sale 107.
- Increased number of public hearings will be held on the draft EIS, where appropriate.
- Meetings with the Governor (or his representative) are held (at the field office level) intermittently during the prelease process to clarify State concerns, including potential resource or use conflicts and appropriate mitigating measures for analysis and consideration in the decision process.
- Communication with the Governor to review decision options available to the Secretary and seek resolution of outstanding issues of concern prior to issuing the proposed Notice of Sale.
- The remainder of the process remains the same as was previously in place: section 19 consultation with the State on size, timing, and location of the sale; possible additional meetings between representatives of MMS and the State to discuss concerns and the Agency's rationale for the focusing on specific options; and, finally, a letter to the State explaining the Secretary's reasons for his determination to accept or reject the Governor's recommendations or implement any alternative means identified by the Governor to provide for a reasonable balance between the national interest and the well-being of the citizens of the affected State.

Consideration of Possible CZM Section 307(c)(3) Conflicts

- Public and State assistance in defining potential conflicts of postsale activities with CZM policies of the affected jurisdictions with approved CZM programs is solicited in the Call for Information.
- Potential CZM section 307(c)(3) conflicts are analyzed in the EIS.
- The Secretarial Issue Document (SID), in addition to providing an analysis of all the salient issues related to the proposed sale, includes an analysis of potential CZM consistency conflicts that could be expected at the exploration and development phases. This information is also included in the decision memoranda pertaining to the sale. (The analysis of potential consistency of future OCS activities on leases issued as a result of Sale 80 is provided.)

- The section 19 consultation will contain an explanation of how the CZM policies of the affected State have been considered in the decisionmaking process and invite further comments the State wishes to make. (A copy of the Sale 82 section 19 letter to Governor Brennan of Maine is provided as an example.)

- The letter to the Governor explaining the use of the Governor's comments in ensuring the balance between the national interest and the well-being of the citizens of the affected States contains a discussion of the potential CZM conflicts. (Sale 83 is one example of this.)

- The Agency is commencing to work with the affected States to determine reasonable measures to ensure that exploration activities on leases issued as a result of the subject sale will be consistent with the CZM programs and to reach an agreement that the exploration will be permitted to go forward unhindered if the measures are adopted. An initial meeting with California representatives is being set up to explore opportunities for such agreement with regard to Sale 80.

Modifications to Current 5-Year Schedule

Alaska Region

--Sale 88, Gulf of Alaska/Cook Inlet (December 1984) - The results of Area Identification and further informal review revealed that there may have been little industry interest. We issued a Federal Register Notice on March 30, 1984, to request more specific comments from industry pertaining to interest in the area. The responses to the Notice indicate that there is adequate interest to warrant proceeding with prelease planning for the sale. Decisions on the proposed Notice will include consideration of the final EIS and comments received to date on the sale.

--Sale 85, Barrow Arch, which had been scheduled to occur in February 1985, will be deleted from the schedule.

--Sale 92, North Aleutian Basin - The entire area east of Cape Newenham and Port Moller in Bristol Bay and the area north of 56° 30' N. latitude have been deleted from the sale. The new sale proposal is 17 percent of the original and concentrates on areas of high hydrocarbon potential and industry interest. The sale will be delayed from April to August 1985 to allow adequate time for revising the environmental analysis for the sale.

--Sale 89, St. George Basin, will be delayed from December 1984 to April 1985 to accommodate time required to revise the EIS, originally prepared jointly with Sale 92.

--Sale 87, Diapir Field - Areas with higher oil and gas potential are the focus of the sale. Nearly half the acreage in the planning area is deferred to future sales by this action. The sale has been delayed 2 months, to August 1984. The proposed Notice of Sale was issued on March 19, 1984.

Pacific Region

--Sale 80, Southern California, originally scheduled for January 1984, has been delayed until October 1984. The delay provided time for a review of the issues related to leasing in the region and resolution of space-use conflicts with Department of Defense operations. The proposed Notice of Sale was issued May 31, 1984. Discussions with the State of California regarding any remaining issues, including potential postlease conflicts with the California Coastal Management Plan, will be taking place at the regional level over the next few weeks.

--Sale 91, Central and Northern California - The decision on initiating the formal prelease process has been postponed until 1985 pending further consultation with the California congressional delegation, the State, the Department of Defense, and other potentially affected parties. We have met with several oil companies to discuss areas of hydrocarbon potential and with State and local decisionmakers to discuss environmental concerns.

--Sale 95, Southern California (October 1986) - The preliminary planning stages for this sale have not been initiated. The Call is tentatively scheduled to be issued in December 1984.

Gulf of Mexico Region

--In Sale 84, Western Gulf of Mexico (July 1984), we have deleted one block each at the biologically sensitive East and West Flower Garden Banks. The 100-meter isobath was restored as a "no activity" zone for block A-375 in the East Flower Garden Bank. These deletions are actively supported by environmental interests, the Texas congressional delegation, and the State of Texas. The final Notice of Sale was published June 15, 1984.

--Sale 94, Eastern Gulf of Mexico - In light of congressional action on Sale 79 and concerns expressed by the States regarding that sale, we have reevaluated the preliminary proposal (Area Identification) for Sale 94, currently scheduled for November 1985, and have deferred several of the areas of concern. These deferrals include the Florida Middle Grounds, areas containing seagrass beds, and areas south of 26° N. latitude within the 20-meter isobath. Other areas cited as sensitive will be studied in the EIS as deferral options: a 20-30-mile buffer zone along the Florida coast; other blocks south of 26° N. latitude; and an additional buffer around the Florida Middle Ground.

Atlantic Region

--Sale 82, North Atlantic, originally scheduled for January 1984, was delayed until September 1984 to provide time for additional consultation with States and industry. Military use conflicts which also required additional evaluation have been resolved. (The press release and factsheet summarizing relevant information pertaining to the proposal are provided.)

--Sale 90, South Atlantic - A request for supplemental information on industry interest was issued as a Federal Register Notice on March 30, 1984. We have determined, based on the responses to the Notice, that interest warrants proceeding with the prelease procedures. The configuration and terms and conditions of the sale will be determined with the benefit of these responses and comments on the draft EIS.

--Sale 111, Mid-Atlantic, will be delayed from July 1985 to October 1985. The Area Identification for Sale 111 was announced in late March 1984. All blocks closer than 50 miles from shore from Virginia to Massachusetts and shoreward of 200-meter isobath off North Carolina were deferred from the sale as were some sensitive canyonhead blocks and certain areas of concern to the Department of Defense.

--Sale 96, North Atlantic (September 1986) - The preliminary planning stages for this sale have not been initiated. The Call is tentatively scheduled to be issued in November 1984.

Summary of Proposed Procedures for Increased Consultation with Affected States Prior to Issuance of the Proposed Notice of Sale

- Early consultation will be conducted by the Regional Manager. This will ensure State recommendations are employed in the development of environmental impact statements (EIS) and draft decision documents for each sale prepared by the regional offices.

- Prior to the announcement of the Call for Information, the Regional Manager will communicate information pertaining to the scheduled milestones for the sale to the Governor of each affected State and the appropriate Outer Continental Shelf (OCS) Policy Committee members and Regional Technical Working Group (RTWG) members.

- Simultaneous with the issuance of the Call for Information, the Regional Manager will solicit comments from the Governor of each affected State. Copies of the letters to the Governors will be provided to the appropriate OCS Policy Committee members. The RTWG members will be also informed of the publication of the Call.

  -- The Regional Manager will, at this time, outline issues the Agency recognizes as potentially affecting the area of study or the eventual structure of the sale.

  -- The Regional Manager may suggest a meeting with the Governor's representative to discuss specific concerns of each State as well as possible mitigating measures which may be employed to accommodate the concerns. Potential conflicts between future plans of operations with the approved State coastal zone management (CZM) program may be clarified at these meetings.

- The Regional Manager will inform the Governor of each affected State of the time, location, and purpose of scoping meetings 30 days in advance of the scheduled meetings. Other affected parties, including RTWG members, will also be notified.

- The Regional Manager will inform the Governor of each affected State of the decision on Area Identification prior to formal announcement of the decision. The Governor will also be provided with an explanation of how the State's comments were considered in the decision process and how they will be employed in the development of alternatives and mitigating measures to be analyzed in the EIS. The appropriate members of the OCS Policy Committee will also be advised of the Area Identification decision prior to public announcement.

- The Regional Manager will solicit information from the affected States and industry for the hypothetical development scenarios (including transportation scenarios) in order to make the scenarios as realistic as possible and sensitive to existing constraints (including potential conflicts with the State's approved CZM program).

- Announcement of public hearings on the draft EIS will be provided to the Governor of each affected State and the appropriate members of the OCS Policy Committee and RTWG as early as possible.

- The Regional Manager will solicit the Governor's substantive comments on the proposal (as distinct from his comments on the EIS). These comments and comments on the EIS will be employed in the development of decision documents. A meeting may be suggested by the Regional Manager to discuss the State's comments on the size, timing, or location of the sale, or lease terms and conditions well in advance of the issuance of the proposed Notice of Sale. A final opportunity to comment under section 19 of the OCS Lands Act will still be provided.

APPENDIX 2

U.S. Department of Justice

Office of Legislative and Intergovernmental Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

30 MAY 1984

Honorable Norman D. Shumway
United States House of Representatives
1203 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Shumway:

This sets forth the views of the Department of Justice on the reported version of the House Oceanography Subcommittee Draft of H.R. 4589, Amendments to the Coastal Zone Management Act (CZMA). Although the current draft of H.R. 4589 is considerably different from the earlier versions, it still raises difficult and sensitive problems which may affect a large body of litigation handled by this Department. In essence, two fundamental problems still remain -- the potentially unrestrained state power over Federal programs affecting the coastal zone and uncertainty as to exactly what activities and effects should be consistent with state CZM programs. The Department of Justice continues to oppose enactment of this legislation.*/

As reported out by the Subcommittee on Oceanography, H.R. 4589 would require federal agencies conducting or supporting activities "significantly affecting the natural resources, or land or water uses in, the coastal zone" to conduct or support those activities in a manner which is "fully consistent" with "those policies" of approved state management programs which are enforceable and mandatory. The Subcommittee version would provide for two exceptions for "full consistency." These are when federal law prohibits consistency and when an "unforeseen" circumstance presents a "substantial obstacle that prevents" achievement of full consistency. In the event that achievement of full consistency is prevented, the agency would be allowed to "deviate from full consistency only to the extent justified by the presence of such circumstance."

Our understanding is that the first portion of the Amendments, calling for consistency for federal activities

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*/ These comments are also applicable to the Senate amendments to the CZMA, S. 2324, which is almost identical to the House bill.

"significantly affecting the natural resources of, or land or water uses in, the coastal zone" is intended to incorporate the standard of "significan[ce]" developed under the National Environmental Policy Act (NEPA), 42 U.S.C. 4321 et seq. The Department of Justice views this objective of the reported amendments with alarm. The term "significantly" in NEPA has no clearcut meaning and has been, in the past, interpreted broadly. Whatever measure of certainty there is as to this term has been supplied by the Council on Environmental Quality (CEQ) regulations which provide limited, but nationally uniform, guidance on the meaning of the term in the NEPA context. Incorporation of NEPA standards into the CZM is potentially destructive of both statutory schemes. The attempts by state coastal zone management agencies to apply the term "significantly" in the CZMA context may well lead to nationally disparate definitions of the term in the NEPA context. On the other hand, the proper definition of the term "significantly" for the procedural purposes of NEPA is totally inappropriate for the substantive purposes of the CZMA consistency provisions.

The CEQ regulation 40 C.F.R. 1508.27, merely sets out factors that should be considered in making case-by-case determinations of significance. There are often differences of opinion concerning the significance of impacts of federal action. In fact, the most frequently litigated area of NEPA law involves the application of the "significance" standard to proposed federal actions. For example, 52 NEPA cases out of 114 cases filed in 1982 involved this question. More importantly, this language is certain to produce even more litigation if it is incorporated in the CZMA and would create additional state/federal disputes.**/ If there has been difficulty in making an uniform interpretation of "significance" within the context of NEPA after 15 years, one can imagine how this "uncertainty" will be exacerbated by 28 different states applying it to their CZM programs.

Incorporation of the NEPA "significantly" standards into the CZMA would be inappropriate because of the different purposes and policies of the two statutes. NEPA is a procedural statute -- one that sets out a method for consideration of potential environmental effects of a proposed federal action but does not dictate the choice ultimately to be made. Some of these effects may be unknown, but the courts have held that "speculation is . . . implicit in NEPA." Scientists Institute for Public Information v. AEC, 481 F.2d 1082, 1092 (D.C.Cir. 1973). Such speculation is acceptable and manageable when the ultimate decision does not depend upon a finding that certain impacts will or will not occur.

**/ The interpretation of "significant affects" under NEPA would differ from that under the amendments because under NEPA those affects are considered in the context of the "quality of the human environment", while under the amendments they would be considered in the context of the "natural resources of land and water uses in the coastal zone."

The CZMA, however, sets out a substantive standard for the content of federal actions. Section 307(c)(1) does not set procedural requirements for federal decisionmaking; instead it requires the achievement of consistency with the content of state CZM programs. In this context, speculation and uncertainty about the effects of the proposed action do create a barrier to objective decisionmaking. Let us suppose there is a 10 percent chance that the proposed federal action would have an effect on the coastal zone that the state agency administering the CZM program would find objectionable. Would that federal action "be fully consistent" because there is a 90 percent chance that the objectionable effect will not occur? What if the relevant probabilities were 99 to one or 60-40? Where is the line between consistency and inconsistency to be drawn? Put simply, the consistency provisions of Section 307(c)(1) have no readily discernable meaning when speculative or uncertain impacts are involved. Incorportating NEPA standards into the CZMA brings additional speculation into the consistency provisions of Section 307(c)(1), and renders them if not objectively meaningless at least highly attractive to litigation.

Other provisions of the proposed legislation exacerbate this situation. When the Ninth Circuit adopted a test similar to the NEPA standard of "significance" for 307(c)(1) consistency, in California v. Watt, 683 F.2d 1253 (9th Cir. 1982), reversed, Secretary v. California, 104 S.Ct. 656 (1984), it realized it had to dilute the standard for consistency to one possible of achievement, given the speculative nature of the exercise. It mandated that a "path" to eventual consistency be formulated but not that the federal activity be as consistent as possible. On the other hand, the Subcommittee amendments demand that the federal activity be "fully consistent." As stated above, this standard has no meaning when uncertainty and speculation are involved.

The draft also purports to provide for exceptions to full consistency. The first exception is when federal law prohibits consistency. This exception is not necessary. Section 307(e) of the CZMA already provides "Nothing in this chapter shall be construed . . .(2) as superceding, modifying or repealing existing laws applicable to various Federal agencies . . . ." The proposed exception, Section 307(c)(1)(i) adds nothing to that provision.

The second exception is also meaningless. Since Section 307(e) already disposes of conflicts between consistency requirements and ministerial or mandatory federal actions, proposed Section 307(c)(1)(ii) addresses only discretionary federal activities. It demands that an "unforeseen" "circumstance" "prevent" (emphasis added) achievement of consistency. Since there is always a "no action" alternative to discretionary federal action, the federal agency is never "prevent[ed]" from achieving consistency by doing nothing. Thus, the proposed exception offers no meaningful relief from state consistency demands that were unforeseen at the time the state CZMA program was approved.

Finally, we have repeatedly advised that none of the proposed amendments to the CZMA would be effective to render OCS lease sales subject to Section 307(c)(1) consistency, given the rulings of the Supreme Court in Secretary v. California. The Court ruled that OCS lease sales were not "activities" conducted or supported by a federal agency within the meaning of Section 307(c)(1). Instead, the Court ruled that sales fell within Section 307(c)(3), and under the regulations, 15 C.F.R. 930.91, that ruling excludes them from Section 307(c)(1). Therefore, if it is Congress's intent to include OCS lease sales as an activity which is "conduct[ed]" or "support[ed]" by a federal agency within the meaning of Section 307(c)(1), the proposed legislation must specifically state that OCS lease sales are to be considered as such an activity.

In any event, we believe that it is unnecessary to provide for consistency limitations at the lease sale stage of the OCS process. The procedures that must be followed in achieving consistency at the exploration or development/production stages are clear and adequately protect a state's coastal zone. An OCS lessee must submit a plan of exploration for approval, or later, a plan of development and production which must certify to a state CZMA agency that its activities, insofar as they affect land or water uses in the coastal zone, will be conducted in a manner consistent with the state programs. At that time, the state is empowered either to agree or disagree with the certification and, if it disagrees, to suggest alternative means by which consistency can be achieved. If the state decides that the operations are not consistent and cannot be made so, the lessee can appeal to the Secretary of Commerce.

The states have an adequate opportunity to protect their interests as the law now stands and it is not in the nation's interest to afford to them what would amount to an unrestrained veto power over OCS oil and gas leasing. Section 19 of OCSLA 43 U.S.C 1345, grants to coastal states all the power they claim to seek under the CZMA short of an unrestrained veto. Section 19 requires the Secretary of the Interior to ask the states for their recommendations concerning "the size, timing or location" of a proposed lease sale. When the states' recommendations are made, the Secretary must give them an opportunity for consultation. This process has, in fact, been working as is demonstrated by the resolution of differences involving California and Alaska in recent OCS sales.

For example, Governor Deukmejian of California recommended that Interior delete some of the tracts from OCS Sale 73 nearest to shore in order to protect beaches, estuaries, and other coastal resources. He also recommended that the Secretary impose lease stipulations on the remaining tracts related to air quality, fishing operations and the transport of oil by pipeline. The result of this consultation was a Memorandum of Agreement (MOA) between California and Interior providing for the deletion of 21 near-shore tracts and the adoption of all the lease stipulations sought by California. On signing the MOA, California stated that these modifications would

> "accomplish the remaining balance between production of needed oil and gas and protection of our valuable environmental resources." ***/

Similarly, Governor Sheffield of Alaska has had several discussions with Interior Secretary Clark over the lease sale schedule for Alaska and the deletion of blocks from proposed sale areas. Additionally, many block deletions and mitigation measures were adopted for past sales in response to requests from the Governor pursuant to Section 19 of OCSLA. Thus, as is evident, Section 19 offers the states every right they claim to seek in the proposed legislation except for an unrestrained veto power. This power would seriously affect this nation's energy security and the orderly development of the OCS.

To summarize our views on the bill as reported, we believe, for the reasons stated above, that any such amendment to the CZMA is unnecessary. The immediate results from passage of this legislation will be, in our view, an increase in litigation, a decrease in OCS lease sales due to the delay caused by litigation, and no increase in protection of the coastal zone. The specific language and intent of the reported amendments, moreover, threaten to inflict substantial damage on the integrity of both NEPA and the CZMA.

The Office of Management and Budget has advised this Department that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

(Signed) Robert A. McConnell)

ROBERT A. MCCONNELL
Assistant Attorney General

***/ Letter from G.W. Duffy, Secretary of Environmental Affairs to James Watt, Secretary of the Interior, dated October 6, 1983.

APPENDIX 3

Post Lease Activities
(Exploration and Development)

Introduction

In addition to directing the preleasing activities of the offshore program, the Minerals Management Service (MMS) has oversight authority for all activities performed by a lessee on the leased area. In conjunction with this authority, the MMS regulates by permit both exploration and development activities in order to ensure safe lease operations.

Exploration and development activities are separate and distinct activities which require different permits. While the permitting process for both exploration and development activities is similar, each has its differences, which are outlined below.

Exploration Activities

° No exploration activities, except certain preliminary surveys, may be commenced without an approved exploration plan.

° An exploration plan must be submitted to MMS and must contain the following information:

(1) proposed type and sequence of exploration activities together with a tentative timetable for their completion:

(2) description of the drilling vessel with special attention to pollution control devices; including oilspill containment and clean up plans;

(3) geophysical equipment to be utilized;

(4) approximate location of each exploratory well;

(5) current structure maps and schematic cross sections showing expected depths of marker formations.

(6) any other relevant data as may be required.

° The Exploration plan must also include a certificate of coastal zone consistency as provided for in Section 307(c)(3) of the Coastal Zone Management Act.

° In addition, a lessee must submit along with his exploration plan an environmental report which must contain the following information:

(1) the procedures to be used for preventing, reporting or cleaning up oilspills and the location of such equipment;

(2) the location, size, number, and land requirements of any onshore support or storage facilities;

(3) estimated number of people expected to be employed in support of offhore, onshore and transportation activities;

(4) the most likely travel routes for boat and aircraft traffic; the probable location of onshore terminals;

(5) the quality and composition of solid and liquid wastes likely to be generated.

(6) Major services, supplies, etc., within affected States necessary for carrying out the plan;

(7) environmentally sensitive or potentially hazardous areas (i.e., site specific geology, meteorological information, physical oceanography, onsite flora and fauna, onsite uses of the area, archeological resources, existing or planned monitoring systems, and impacts on refuges, rookeries or other environmentally sensitive areas.)

- A copy of the exploration plan and environmental report are forwarded to the Governor of each affected State and the coastal zone management agency of each affected State for review.
- Under Section 11(c)(1) of the OCS Lands Act, an exploration plan must be approved within 30 days after it is submitted . Therefore, the State review and comment period on a plan must be maoe within the 30 day timeframe.
- However, review and approval of an exploration plan for coastal zone consistency is alloted a six month timeframe.

Section 11(c)(2) of the OCS Lands Act states;

> "The Secretary shall not grant any license or permit for any activity described in detail in any exploration plan and affecting any land or water use in the coastal zone of a State with an approved management program approved pursuant to Section 306 of the Coastal Zone Management Act, unless the State concurs or is conclusively presumed to concur with the consistency certification accompanying such plans..."

Section 307(c)(3) of the Coastal Zone Management Act states:

> "After final approval by the Secretary of a States' management program, any applicant for a Federal license or permit to conduct an activity affecting land or water uses in the coastal zone of that State shall provide to the licensing or permitting agency a certification that the proposed activity complies with the State's approved program and that the activity will be conducted in a manner consistent with the program.... If the State or its designated agency fails to furnish the required notification within six months after receipt of its copy of the applicant's certification, the States' concurrence shall be conclusively presumed..." (Secretary of Commerce).

- Since the statutory provisions of Section 11(c)(1) of the Outer Continental Shelf Lands Act dictate that an exploration plan must be approved within 30 days of its submittal, the MMS must either approve or disapprove the plan itself within this timeframe. However, an Application for Permit to Drill (the Federal license or permit issued by MMS in conjunction with exploration activities) will not be issued until CZM certification has been received.

- The MMS carefully reviews all State comments received on an exploration plan. In many instances the plan is modified to incorporate those concerns.

- Once an exploration plan is approved, a lessee must operate under the provisions of the plan in performing all of his exploratory activities.

Development Activities

- Development activities are separate from exploratory activities and begin as a result of delineating a hydrocarbon reservoir.

- No development activities may be commenced without an approved development plan.

- A development plan must be submitted to the MMS for approval and must contain the following information:

  (1) description of the specific work to be performed;

  (2) description of vessels, platforms, pipelines and other facilities to be utilized;

  (3) the location of each well;

  (4) current interpretations of all available relevant geological and geophysical data;

  (5) description of the environmental safeguards to be used in the course of development activities;

  (6) expected rate of development and production and a time schedule for both;

  (7) any other relevant information as required.

- The development plan is also required to contain a certificate of coastal zone consistency as provided for in Section 307 (c)(3) of the Coastal Zone Management Act.

- In addition, a lessee must submit along with his development plan an environmental report which must contain the following information;

  (1) a detailed analysis of the location, description, and size of any offshore and land-based operations to be conducted in conjunction with the development activities;

  (2) detailed requirements for land, labor, materials and energy for (1);

  (3) a schedule setting forth specific nearshore and onshore development activities;

  (4) a description of any environmental monitoring system planned;

  (5) a description of contingency plans in effect (including oilspill contingency plans) together with a discussion of equipment to be maintained onsite;

  (6) a detailed narrative description of the existing environment with an emphasis on those environmental values that may be affected by the proposed operation;

  (7) an assessment of the effects on the environment expected to occur as a result of plan implementation and mitigating measures to be used;

  (8) a discussion of alternatives to the activities proposed that were considered.

- A copy of the development plan is forwarded to the Governor of each affected State and to each affected coastal zone management agency for review.

- Governors are afforded a 60-day review and comment period of the development plan, as prescribed by Section 19(b) and 25(g) of the OCS Lands Act.

- After the State's comment period is over, the plan must be either approved or disapproved within another 60-day timeframe.

- Review and approval of a development plan for coastal zone consistency is alloted a six month timeframe.

Section 25(d) of the OCS Lands Acts states:

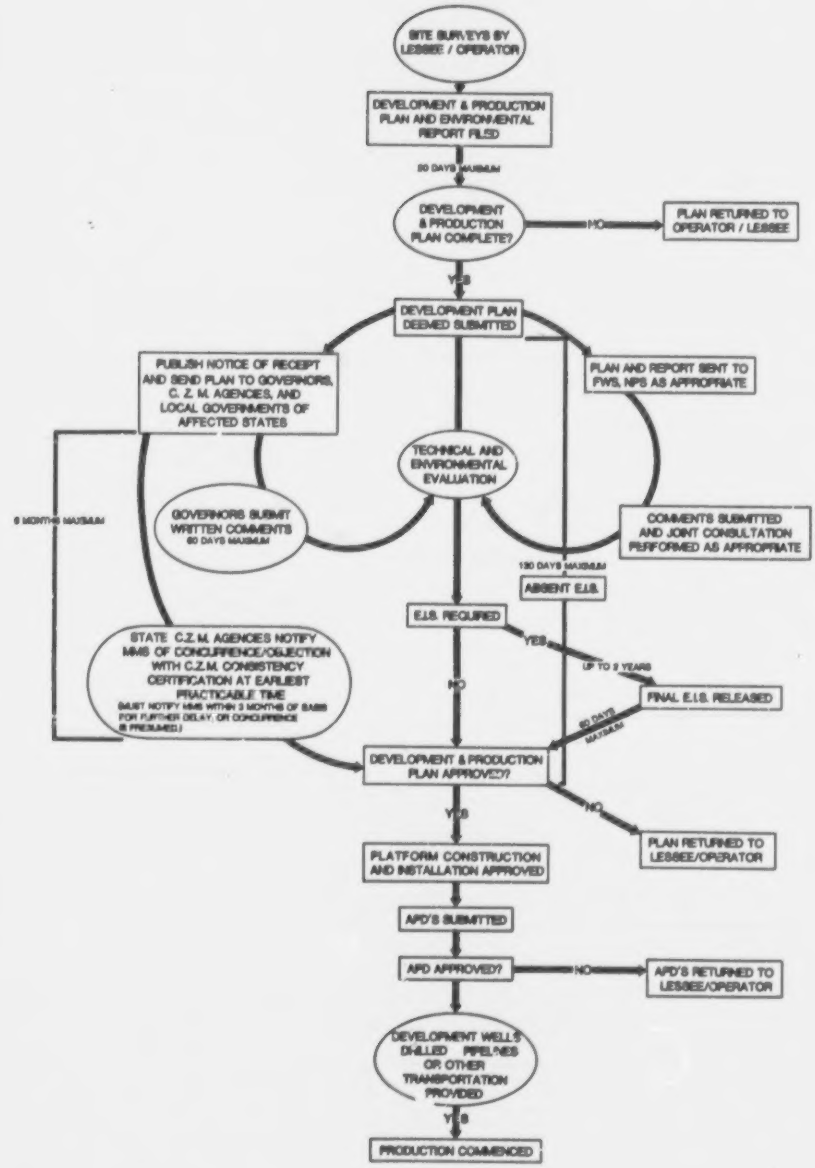
> "The Secretary shall not grant any license or permit for any activity described in detail in a plan and affecting any land or water use in the coastal zone of a State with a coastal zone management program approved pursuant to Section 306 of the Coastal Zone Management Act, unless the State concurs or is conclusively presumed to concur with the consistency certification..."

Note: Language pertinent to CZM consistency is also found in Section 307(c)(3) of the Coastal Zone Management Act and can be found on page 2 of this document.

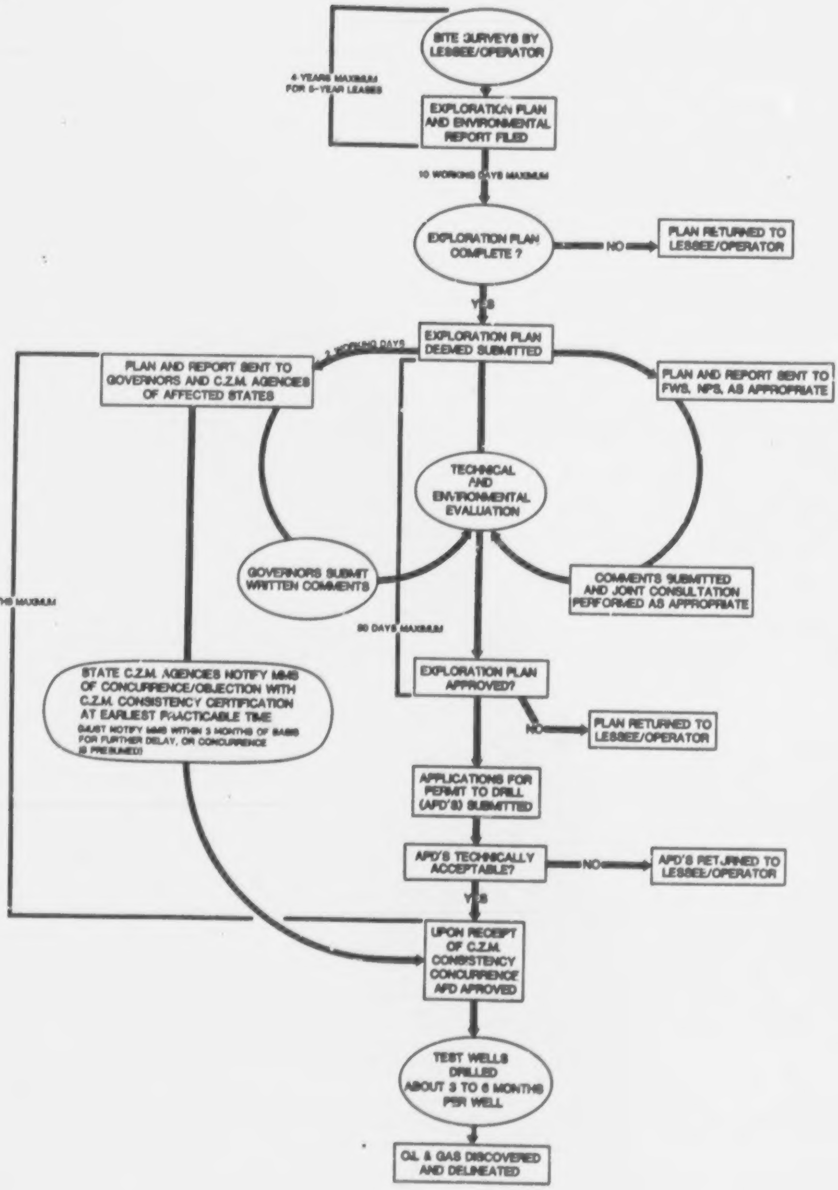
° Despite the differences in the timeframes given for review under Section 19(b) and 25(g) of the OCSLA and under Section 307(c)(3) of the CZMA, a development plan cannot be approved until coastal zone consistency certification has been received. This is because of Section 25(h)(B) of the OCSLA, which specifically requires disapproval of a development plan that has not received a CZM consistency certification.

° In some cases, an Environmental Impact Statement (EIS) must be developed in conjunction with the approval of a development plan. Section 25(f) of the OCSLA requires an EIS in all cases where approval of a development plan is found to be a major Federal action. Also Section 25(e) requires the Secretary at least once to declare the approval of the development plan in any area or region of the OCS outside of the Gulf of Mexico to be a "major Federal action," thus an action for which an EIS must be developed.

DEVELOPMENT AND PRODUCTION REVIEW


SITE SURVEYS BY LESSEE / OPERATOR
DEVELOPMENT & PRODUCTION PLAN AND ENVIRONMENTAL REPORT FILED
30 DAYS MAXIMUM
DEVELOPMENT & PRODUCTION PLAN COMPLETE?
NO
PLAN RETURNED TO OPERATOR / LESSEE
YES
DEVELOPMENT PLAN DEEMED SUBMITTED
PUBLISH NOTICE OF RECEIPT AND SEND PLAN TO GOVERNORS, C. Z. M. AGENCIES, AND LOCAL GOVERNMENTS OF AFFECTED STATES
PLAN AND REPORT SENT TO FWS, NPS AS APPROPRIATE
TECHNICAL AND ENVIRONMENTAL EVALUATION
6 MONTHS MAXIMUM
GOVERNORS SUBMIT WRITTEN COMMENTS 60 DAYS MAXIMUM
COMMENTS SUBMITTED AND JOINT CONSULTATION PERFORMED AS APPROPRIATE
130 DAYS MAXIMUM
ABSENT E.I.S.
E.I.S. REQUIRED
YES
UP TO 2 YEARS
FINAL E.I.S. RELEASED
60 DAYS MAXIMUM
NO
STATE C.Z.M. AGENCIES NOTIFY MMS OF CONCURRENCE/OBJECTION WITH C.Z.M. CONSISTENCY CERTIFICATION AT EARLIEST PRACTICABLE TIME (MUST NOTIFY MMS WITHIN 3 MONTHS OF BASIS FOR FURTHER DELAY, OR CONCURRENCE IS PRESUMED.)
DEVELOPMENT & PRODUCTION PLAN APPROVED?
YES
NO
PLAN RETURNED TO LESSEE/OPERATOR
PLATFORM CONSTRUCTION AND INSTALLATION APPROVED
APD'S SUBMITTED
APD APPROVED?
NO
APD'S RETURNED TO LESSEE/OPERATOR
DEVELOPMENT WELLS DRILLED PIPELINES OR OTHER TRANSPORTATION PROVIDED
YES
PRODUCTION COMMENCED

EXPLORATION PLAN REVIEW


SITE SURVEYS BY LESSEE/OPERATOR
4 YEARS MAXIMUM FOR 5-YEAR LEASES
EXPLORATION PLAN AND ENVIRONMENTAL REPORT FILED
10 WORKING DAYS MAXIMUM
EXPLORATION PLAN COMPLETE ?
NO
PLAN RETURNED TO LESSEE/OPERATOR
YES
EXPLORATION PLAN DEEMED SUBMITTED
2 WORKING DAYS
PLAN AND REPORT SENT TO GOVERNORS AND C.Z.M. AGENCIES OF AFFECTED STATES
PLAN AND REPORT SENT TO FWS, NPS, AS APPROPRIATE
TECHNICAL AND ENVIRONMENTAL EVALUATION
GOVERNORS SUBMIT WRITTEN COMMENTS
COMMENTS SUBMITTED AND JOINT CONSULTATION PERFORMED AS APPROPRIATE
6 MONTHS MAXIMUM
90 DAYS MAXIMUM
STATE C.Z.M. AGENCIES NOTIFY MMS OF CONCURRENCE/OBJECTION WITH C.Z.M. CONSISTENCY CERTIFICATION AT EARLIEST PRACTICABLE TIME
(MUST NOTIFY MMS WITHIN 3 MONTHS OF BASIS FOR FURTHER DELAY, OR CONCURRENCE IS PRESUMED)
EXPLORATION PLAN APPROVED?
NO
PLAN RETURNED TO LESSEE/OPERATOR
APPLICATIONS FOR PERMIT TO DRILL (APD'S) SUBMITTED
APD'S TECHNICALLY ACCEPTABLE?
NO
APD'S RETURNED TO LESSEE/OPERATOR
YES
UPON RECEIPT OF C.Z.M. CONSISTENCY CONCURRENCE APD APROVED
TEST WELLS DRILLED ABOUT 3 TO 6 MONTHS PER WELL
OIL & GAS DISCOVERED AND DELINEATED

Senator **Weicker**. Thank you very much, Mr. Secretary. Section 19 of the OCS Lands Act provides Governors with the opportunity to submit recommendations to the Secretary of the Interior regarding the, quote, size, time, and location of the, quote, OCS lease sales, and the Secretary then has the discretion to decide whether these recommendations strike a proper balance between the State and national interest.

The Coastal States Organization contends that moratoriums are needed because the Interior Department repeatedly rejects the recommendations.

Do you agree with that analysis? If not, what do you believe the reasons for a moratoriums are?

Secretary **Clark**. Mr. Chairman, I am not aware of this particular contention but if I may take it State by State, citing California because that began as a model in our consultative process. Governor Deukmejian stated that he does not believe in, as one of our Senators this morning called it, the appropriations fiat or footnote approach to doing business by moratoriums, and Governor Sheffield of Alaska was invited by Chairman Yates of the House Interior Appropriations Subcommittee to send in any request the Governor might have in hopes of a moratorium up there.

The letters between the gentlemen are available. Mr. Bettenberg can testify to the particulars, but my understanding is that at least on the major concern in Alaska, Governor Sheffield effectively said he would rather deal with us across the top of the table rather than by arbitrary moratoriums, so I think that again we have to weight these matters State by State.

I have been in communication with other Governors. Yesterday I spoke with both Governors White and Edwards of Texas and Louisiana respectively, and I am confident that we simply do not need the emergency moratoriums to work in partnership on these issues.

Senator **Weicker**. Every year for the past several years, including this one, I have had to wage a fight in the Appropriations Committee just to maintain level funding for ocean research programs. In this year, the administration's proposed budget request is a 38-percent reduction in ocean research.

Do you have an explanation for the discrepancy between the need for expanded research on the OCS and the administration's effort to drastically reduce this funding. Only thanks to the help of, whether he knows it or not, my good friend there to your left, was I able to scrounge some help from the Navy in getting the latest underwater habitat facility moved from Hawaii, the University of Hawaii, to the east coast. I might add that the amounts of money we are talking about are relatively small—$1 million.

As we have these potential problems in the OCS, the administration continues to reduce the budget for ocean research. I don't understand that.

Secretary **Clark**. Well, I am not familiar with the percentages you are referring to, Mr. Chairman, nor in what agency, but on the environmental issues the Depatment of the Interior has spent some $277 million, and that is the Federal Government's portion, over the past 8 years in environmental protection and research on offshore.

We are up to some $30 million this year in research for offshore environmental protections and concerns.

Senator **Weicker**. I won't pursue this at length now, but the fact is that the agency that has the principal responsibility and knowledge of this area is NOAA, those administration budgets have been cut drastically before being restored by the Congress.

It seems to me this is one of the concerns. A lot of people around here would breathe easier if they knew that a monitoring effort was going on, a scientific effort was going on insofar as NOAA is concerned, and it is in this area that clearly the budget requests have been reduced.

Secretary **Clark**. I think we have to recognize, Mr. Chairman, that industry itself after the Santa Barbara catastrophe in 1969, recognized that it, too, had to get out front and did without much governmental prodding to attempt to protect against any such recurrence feeling that a recurrence could well end the entire offshore program.

I know just last week we conferred with the chancellor of the University of California, Santa Barbara [UCSB] to create a new institute there exclusively dedicated to offshore research. Drilling muds were discussed earlier this morning. I know we have at least three contracts on that issue alone, and UCSB wishes to coordinate a lot of that, and I have told our people to start working with the science adviser at the White House to assist in that creation as an example of our on-going concern in this area.

Senator **Weicker**. Secretary Lehman, it's clear that the national security needs of the military must be given special consideration vis-a-vis OCS leasing.

Are you confident that the current leasing review process adequately provides for military needs or can improvements be made?

Secretary **Lehman**. Mr. Chairman, our interests at the Defense Department in the offshore leasing program are at two levels.

On the one hand, we think the offshore leasing with follow-on exploration and production, is one of the highest priorities of national security. Our energy dependency abroad results in additional costs to our Defense budget and adds additional risks to our becoming embroiled in conflicts abroad. So, we have a very strong interest, in the Defense Department, in programs like this one, programs that programs have the promise of making contributions that will reduce our dependence on foreign oil.

Our second interest is that of the day-to-day operational requirements of training, development and transit. Last July, as you, know, a memorandum of understanding regarding those requirements was put together between the Department of the Interior and the Department of Defense with the Department of the Navy designated as the executive agent for the Defense Department.

We have found that the procedures set out in this memorandum and the policy decisions and the negotiations that have been carried out under it have been immensely successful.

We feel that we have found a way to resolve to our satisfaction in the Defense Department, all of the differences of interest that we have had in various leasing proposals. We have found with the help of Interior that in many cases, there were ways to work around co-use of certain areas, and adjust military operations to the exploration and eventual production in those areas.

It does get complicated in some areas, but we feel that we have found the solution to accommodating our different interests in an orderly way. We are fully satisfied with all of the issues that we have come to grips with so far, and we don't think that there is anything needed to improve the process that we now have set up.

For the former reason, we strongly oppose a policy of moratoriums. We think our security interests require us to get on with this exploration program, and we are satisfied that our operational interests are very adequately protected by the procedures that Secretary Clark has put in place. They are working very well.

Senator **Weicker**. Senator Johnston.

Senator **Johnston**. Thank you, Mr. Chairman. Secretary Clark, you have a very well-deserved and famous reputation as a negotiator, someone who can resolve difficult disputes. I hope you will use all those skills on what I see as a real brewing problem on revenue sharing and particularly the section 8(g) dispute. In my State it threatens the strong support as you know of OCS leasing and drilling. It threatens to become unglued.

You are probably aware of the increasingly acrimonious statements made by all kinds of people in high places about the inability to resolve this statement about the administration's opposition to a section 8(g) settlement, and about opposition to revenue sharing. Down there we look at revenue sharing of onshore revenues and we see where last year 1 billion, more than $1 billion was shared, and yet there was no revenue sharing with respect to OCS drilling even though 10 times as much oil is produced there and right or wrong, it is a dispute that until and unless it is solved will be counterproductive I think to the national interest and to my State's interests.

I might tell you that I don't plan to join those who oppose OCS drilling or who threaten to oppose it. I think it is much too vital to the national interest, but I think that unless we solve these other issues, Louisiana could go from a strong supporter to at least partial opponent.

What is the status of the 8(g) negotiations with Louisiana?

Secretary **Clark**. Senator Johnston, as I indicated in my opening remarks I have tried to approach each issue by first looking at the law, and section 8(g) mandates that the Secretary of the Interior and the Governor shall agree to a "fair and equitable" distribution of all revenue from common fields and pools on the State-Federal line 3 miles from shore. In Texas and Florida, it is closer to 10 miles. In my review of issues as I moved into Interior, I did confer with former Governor Treen and now Governor Edwards on this issue, recognizing that since 1978 when 8(g) came into being that the escrow amount of those funds for the seven States has been accumulating. I believe it is up to $5.2 billion now, which is no small amount. Except for one small situation early on in Alaska, agreement simply has not been arrived at between any Governor and any Secretary of the Interior. In the meantime we have seen litigation in both Texas and Louisiana on the issue, but I have not stopped in the face of the litigation, my attempt to follow the law. In fact, I asked that a full Cabinet meeting be set aside exclusively to the question of the OCS issue in its broadest aspect, but particularly the proposed CZMA amendments, section 8(g) general OCS revenue sharing which, of course, the administration has opposed for 3 years, and OCS moratoriums. The President's direction to me at the end of that meeting, even though no particular decision had been called for, was to, "try to follow the law and test the waters" was his metaphor. So I have spoken with your Governor as recently as yesterday. I can't give you any indication on probabilities of settlement, but I would like to continue our attempts. Mr. Bettenberg and his department have been working on models for the last several months, and I hope to arrive at a formula that would apply to perhaps all seven coastal States.

I spent 12 years on the bench. It is going to be very difficult for any two parties to come up with the same interpretation on what is, "fair and equitable," but I can assure you that we are moving in this area.

Senator JOHNSTON. As you know, the law says that if it must go to court, that the funds shall be distributed as you say in a fair and equitable manner as a district court of the United States determines.

I would assume you would agree with me that that means the district court and not a court of appeals. Accordingly, you would not appeal that Texas decision, attempt to appeal it?

Secretary CLARK. I will defer that one, Senator, to the administration's lawyer, the Justice Department. We have control, of course, over the appellate process, but certainly the section does not preclude an appeal from any district court judgment, and the time for an appeal is running. It is still open.

Senator JOHNSTON. I would hope that you would be the lead negotiator. I know OMB has quite an interest, as does Justice. I would hope that they would select you as their lead negotiator and get on with active negotiations immediately as I say, because things could come unraveled in the meantime.

Do you expect that there will be active negotiations on the settlement of the lawsuit or rather will you be trying to come to some legislative solution in the meantime?

Secretary CLARK. Senator Johnston, the President additionally asked that I create a working group to view all four OCS issues, but we haven't waited for a working group on the section 8(g) questions. As I said, Mr. Bettenberg has been putting together possible models to apply across the board, and so again, in answer to your question, I expect to play an active part because the law requires that, and I have been in direct communication with the respective Governors on the issue.

Senator JOHNSTON. Just one final question because I have taken too much time—Secretary Clark, you have heard these witnesses talk about environmental problems. Now taking aside for a moment the problem of esthetic damage because you can see an oil well, I mean you can see a boat that is going out to an oil well. You can't see an oil well because its under water. Have you been given any evidence, have there been any charges, credible charges made by any scientists that there is evidence of first of all fish damage from OCS development?

Secretary Clark. I have received none, Senator Johnston. Mr. Bettenberg, of course, is the Director, MMS. This might be referred to him for response as well, but I am unaware of any empirical evidence of damage to fish or wildlife. Certainly in my native State of California, the opposite seems to have been the case. Santa Barbara's restaurants are quick to point out that a lot of the shell fish that they serve literally is harvested off the legs of some of the State and Federal platforms in the Santa Barbara Channel.

Senator Johnston. The same thing is true in Louisiana—they serve as a natural reef, but there are no charges made along that line, no claims even made along that line anymore, are there?

Secretary Clark. None that I am aware of, Senator. It is usually in the hypothetical or the perspective of what if there should be a spill, but frankly, they are spilling far more oil now off the oil tankers bringing our imports into us than we are from any offshore source.

Senator Johnston. According to OTA, 400 times as much.

Secretary Clark. I didn't know that figure.

Senator Johnston. Do you have any information on toxic drilling muds?

Secretary Clark. Other than I know that the issue has been under active consideration and testing at EPA, but I am unaware of any evidence of damage to any fish or wildlife at this time.

Senator Johnston. It is very closely regulated by USGS, isn't it?

Secretary Clark. EPA and NOAA have the lead, but we are also involved in any such consideration. It is part of an EIS in the very first stages of lease consideration.

Senator Johnston. Thank you very much.

Senator Weicker. Senator Nickles.

Senator Nickles. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for your comments, particularly the fact that you didn't read them to us. You made some very startling statements. I want to make sure that I understand. Maybe you can expound upon a couple of them.

You mentioned, I believe, that we presently have what, less than 20 million acres under lease today?

Secretary Clark. That is my understanding, Senator, yes.

Senator Nickles. What I was interested in, I think you said that was less than one third of what Great Britain has presently under lease, is that correct?

Secretary Clark. Great Britain has between 58 and 60 million acres offshore under lease, and of course, is now energy independent.

Senator Nickles. They are actually exporters of energy today?

Secretary Clark. They are net exporters, yes.

Senator Nickles. Canada, you mentioned Canada has how many acres under lease?

Secretary Clark. Five times more than we have.

Senator Nickles. They have 100 million acres under lease today?

Secretary Clark. That is my understanding.

Senator Nickles. In Canada?

Secretary Clark. Offshore.

Senator NICKLES. Offshore; the moratoriums which you went through, if my figures are correct, less than 1 million in 1982—we didn't have a moratorium before 1982?

Secretary CLARK. That is my understanding; in 1982 on an emergency basis, I believe about 1 million acres were included in the first moratoria, and that has grown successively each year to the point we now have 52 million acres included and 147 million acres proposed under pending legislation.

Senator NICKLES. Were these all tacked on to appropriation bills?

Secretary CLARK. That is my understanding, Senator.

Senator NICKLES. Prior to 1982 we didn't have any moratorium?

Secretary CLARK. Not for offshore leasing; now I don't know how far back that would go, but I am sure we have people who can give you the statistics.

Senator NICKLES. If you would for the record; I am interested in it, plus I am really concerned about this compounding. We see less than 1 million. Then we see 35 million, last year 52 million, and to date or today you state that some people are proposing for 1985 to go to triple that up to 147 million, and then my next concern is what is it going to be in 1986 and 1987 and 1988 if it continues on this perpetual compounding basis?

[The information follows:]

Outer Continental Shelf (OCS) Acreage Placed in Moratoria From FY 82 through FY 84

	Act	Area Prohibited	Acreage Affected
(1)	FY 82 Department of the Interior Appropriations Act P.L. 97-100 (Section 109)	4 basins offshore Central and Northern California (Point Arena, Bodega, Santa Cruz, and Eel River)	736,000
		TOTAL ACREAGE AFFECTED IN FY 82:	736,000 acres
(2)	FY 83 Department of the Interior Appropriations Act (P.L. 97-394) (Section 107)	An area offshore Central and Northern California from Morro Bay north to the Oregon border	35.0 million
	FY 83 Department of the Interior Appropriations Act (Section 108)	Certain canyonhead blocks (55 total) in the Mid-Atlantic	316,800
		TOTAL ACREAGE AFFECTED IN FY 83:	35.317 million acres
(3)	FY 84 Department of the Interior Appropriations Act (P.L. 98-146) Section 107)	An area offshore Central and Northern California from Morro Bay north to the Oregon border	35.0 million
	FY 84 Department of the Interior Appropriations Act (Section 113)	Certain nearshore areas offshore Southern California, including: (a) tracts from 3-12 miles offshore Newport Beach south to the U.S./Mexican border; (b) tracts in the Santa Monica Bay; (c) tracts in the 3-6 mile band extending around the Channel Islands Marine Sanctuary; (d) tracts comprising the Santa Barbara Ecological Preserve	1.6 million

Act	Area Prohibited	Acreage Affected
FY 84 Department of the Interior Appropriations Act (Section 108)	Certain areas offshore Massachusetts in the North Atlantic, including: (a) tracts shallower than 60 meters in depth; (b) certain canyon and canyon head tracts.	8.2 million
FY 84 Department of the Interior Appropriations Act (Section 109)	Certain areas offshore Florida in the Eastern Gulf of Mexico, including: (a) tracts encompassing the seagrass beds; (b) tracts comprising the Florida Middle Grounds (coral grounds); (c) tracts south of 26° N and in water depths less than 20 meters; (d) tracts in a 20 mile and 30 mile buffer zone offshore the west coast of Florida from Panama City to 26° N latitude.	7.4 million
	TOTAL ACREAGE AFFECTED IN FY 84:	52.2 million acres
FY 85 Department of the Interior Appropriations bill as passed out of the House Appropriations Committee (H.R. 5973)	(a) certain areas offshore Massachusetts in the North Atlantic (same areas as contained in the DOI FY 84 Appropriations Act, section 108).	8.2 million
	(b) certain areas offshore Southern California (same areas as contained in the DOI FY 84 Appropriations Act, section 113).	1.6 million
	(c) an area offshore Central and Northern California from Morro Bay north to the Oregon border (same area as contained in the DOI Appropriations Act, section 107).	35.0 million
	TOTAL ACREAGE PROPOSED IN FY 85	44.8 million

Secretary **Clark**. Well, I don't think additional moratoriums would be necessary because I think with the 147 million I should consider closing MMS and spending my time among the other nine bureaus at Interior! It effectively would be a repeal of the Outer Continental Shelf Leasing Act.

Senator **Nickles**. Let's talk about that. Last year, 52 million acres—some people will come back and say that well, you were proposing, what, 1 billion acres? Would you compare that?

Secretary **Clark**. No. I have never proposed 1 billion acres for lease.

Senator **Nickles**. What was subject to least last year?

Secretary **Clark**. Mr. Bettenberg, what was subject to lease in fiscal year 1984?

Mr. **Bettenberg**. I don't have that figure with me. There was a proposal under the 5-year program to consider for leasing up to 1 billion acres over a period of 5 years, recognizing that that would be divided up into individual sales, and with each individual sale the acreage would ultimately be tailored to sometimes larger areas, sometimes smaller areas. The individual sales have varied all over the lot from a few million acres up to 40 to 50 million acres.

Senator **Johnston**. If the Senator would yield, am I not correct that less than 5 percent of the amount possible for leasing has ever been actually leased in any given year?

Secretary **Clark**. We can supply that.

Senator **Nickles**. I know it is a very small amount.

Mr. **Bettenberg**. I think that that is correct, but I would have to check that for the record.

[The information follows:]

ACREAGE OFFERED/ACRES LEASED
FY 84 OCS Lease Sales

SALE	DATE	ACRES OFFERED	ACRES LEASED
73	11/83	768,341	43,799
79	1/84	50,631,513	897,786
83	4/84	28,048,995	1,024,772
81	4/84	34,743,780	2,278,179
84*	7/84	31,368,960	2,315,520
87**	9/84	-	-
	TOTALS:	145,561,589	6,560,056

Percentage of acreage offered during FY 84 that was actually leased is approximately 4 percent.

* Sale 84 (Western Gulf of Mexico) was held on July 18, 1984. The acreages quoted are approximate. It should be noted that the figure listed under the "Acreage Leased" column actually refers to acreage bid upon since the Department has not completed a review of the bids to determine which tracts (acreage) will be accepted or rejected.

** Sale 87 (Diapir Field) is scheduled to be held in August 1984. Therefore, no figures are yet available for this sale.

Listed below is an estimate of acreage deferred from leasing due to environmental concerns. The figures below on acres deleted in 1982 through 1984 due to environmental concerns cover only deletions made after the EIS was completed. As you can see, since the 5-year leasing program was approved in July 1982, the Department has deleted more than 88.02 million acres from sales already held or scheduled for sale. The breakdown is as follows:

Sale Number	Sale Area	Acres Deleted
	1982	
71	Diapir Field	0
69	Gulf of Mexico	0
57	Norton Basin	63,300
	1983	
70	St. George Basin	0
76	Mid-Atlantic	51,000
72	Central Gulf of Mexico	0
78	South Atlantic	1.98 million
74	Western Gulf of Mexico	0
73	Central and Northern Calif.	126,000
79	Eastern Gulf of Mexico	1.72 million
	1984	
83	Navarin Basin	0
81	Central Gulf of Mexico	0
84	Western Gulf of Mexico	11,300
80	Southern California *	0
82	North Atlantic *	1.90 million
87	Diapir Field	9.91 million
	OCS Lease Sales in Progress	
89	St. George Basin	0
85	Barrow Arch	29.40 million
92	N. Aleutian Basin	26.10 million
111	Mid-Atlantic	15.30 million (estimate)
94	E. Gulf of Mexico	1.72 million
	TOTAL	88.02 million

* Final decisions have not been made on these sales. Further areas may be deleted before a final Notice of Sale is issued.

Senator **Bradley**. Would the Senator yield further? While they are looking at that, would they also look at the amount of acreage that has been considerably excluded from any lease on an individual basis pursuant to whether the tracts were judged to be environmentally sensitive?

Mr. **Bettenberg**. I can give you one example of that.

Secretary **Clark**. Yes.

Mr. **Bettenberg**. On the Mid-Atlantic sale, for instance, that is coming up, we excluded 15 million acres.

Secretary **Clark**. We have excluded from lease a total of just under 80 million acres for purely environmental concerns, Senator. Over the last 5 years I am told.

Mr. **Bettenberg**. Last couple of years.

Senator **Bradley**. That was pursuant to specific legislation.

Mr. **Bettenberg**. Exclusive of moratoriums areas.

Senator **Bradley**. Of the moratoriums areas?

Mr. **Bettenberg**. Yes.

Senator **Nickles**. So, Mr. Secretary, what you are saying then is yes, you are offering large tracts, but previous to offering those tracts you are excluding—did I hear you say 80 million acres?

Secretary **Clark**. The last several years, 80 million have been excluded at some stage of the consideration process for purely environmental reasons.

Senator **Nickles**. The 52 million acres that are presently under moratoriums, are those areas that there is probable development?

Secretary **Clark**. Senator, we estimate 2.2 billion barrels of oil lying beneath the 52 million acres that are excluded by the appropriations moratoriums, and we have estimated that to be a loss of $4.9 billion.

Senator **Nickles**. $4.9 billion—are you saying to Treasury or to consumers?

Secretary **Clark**. To the economy I am told.

Senator **Nickles**. You only value the oil at $2 a barrel?

Secretary **Clark**. I don't know. We can supply the computation for the record, Senator.

[The information follows:]

Answer:

Our estimate was a loss of $4.8 billion to the economy for a 10-year delay due to the leasing moratoria in place for FY 1984 and was calculated in the following manner:

1. We estimate the amount of potential resources (oil and gas) existing in each area subject to the moratoria.

2. Then we convert these resources into barrels of oil equivalent (BOE) and risk them for the probability that commercial hydrocarbons do indeed exist.

3. The risked BOE's are then multiplied by the net economic value (NEV) per barrel figures. The NEV equals the total discounted sum of revenues that would be generated from production less the costs of finding, developing, producing, and transporting the crude to the refiner (i.e., the final profit). The dollars per BOE are calculated for each area based on current and expected prices and costs. The costs for frontier areas are much higher than those for developed areas so the minimum economic field sizes for such areas are much larger and the dollars per BOE are much lower. Consequently, the dollars per BOE ranged from $1.50 to $5.00 per BOE. All dollar amounts reflect the 1984 price level; no adjustments were made for the timing of sales.

4. The cost of delay is computed by discounting the NEV at 8 percent for each year. This figure represents the estimated opportunity cost of purchasing imported oil instead of relying on OCS production during the years in which such production is delayed by the moratoria. The data are reproduced below:

Sale No./ Planning Area	RBOE (MM) Affected By Moratoria	NEV per RBOE	Revenues Lost by Discounting ($MM)	Cost of 10-Year Delay ($ Billions)
79/EGOM	138	$2.50	$ 60	$0.2
80/So. Calif.	890	5.00	1,160	2.4
82/No. Atlantic	100	1.50	70	.1
91/C. & N. Calif.	1,100	3.50	1,780	2.1
				$4.8

Senator NICKLES. You made a couple other statements. You said there are presently no production off the offshore coastline of Alaska?

Secretary CLARK. That is correct, Senator. All production in Alaska offshore is on State lands. Yesterday, Shell announced that Seal Island No. 2 has just been tested; and it would appear that that could be our first production well in Federal waters off the coast of Alaska.

Senator NICKLES. There is some offshore production because it is on State waters?

Secretary CLARK. That is correct.

Senator NICKLES. Within 3 miles?

Secretary CLARK. Yes.

Senator NICKLES. Of your coast, and you also said that there is no production offshore on the Atlantic coast?

Secretary CLARK. That is correct.

Senator NICKLES. Is there any non-State production?

Secretary CLARK. On Federal water, we do not have a producing well. There have been 44 wells drilled, and whether you say they are dry or not, none are producing.

What there may be on State land I don't know. Mr. Bettenberg, are there any? There are no State wells offshore I am told.

Senator NICKLES. You mentioned off the coast of California I think that last year there was 12 active rigs and today there is only 4?

Secretary CLARK. Exploratory rigs; we had a dozen this time last year, and there are now four, again, this is evidence of, if I can call it, the marketplace, the chilling effect—at least this is the explanation of our people as well as from Industry.

Senator NICKLES. Is that due to the moratoriums or is it due to fear of moratoriums coming in the future?

Secretary CLARK. We feel it is a combination. Arco was frank enough to tell us, by way of their public statement when they forfeited $30-plus million in pulling out of the Santa Maria area, that while they conceded that the potential was there, the risk was too high in light of the threatened litigation and the requirements of the California Coastal Commission on what would have to occur, on conditions to any production once they brought that well in, so they were not willing to risk that type of capital even in a high potential area.

Senator NICKLES. You mentioned off the coast of California three-fourths of the rigs I think are in State waters?

Secretary CLARK. Yes, Senator.

Senator NICKLES. Is there any new leases coming within those State waters?

Secretary CLARK. I am unaware of what the State plans are for future leasing.

[The information follows:]

The California State Lands Commission is the agency responsible for planning and conducting oil and gas lease sales in State waters offshore California. As of July 12, 1984, the Commission has no plans to lease any blocks offshore during the next 12 months. The Commission is currently involved in two separate lawsuits concerning their 1983 attempt to lease State tidelands near Point Arguello. Future State lease sales are being delayed until those lawsuits are resolved.

Senator NICKLES. If your office could provide that? It would be interesting to see if the State is granting any new leases at the same time that they might be trying to block any offshore leases further out.

Secretary CLARK. I believe that is the case in the State of Alaska, where proposed lease sales are going on in State water, but I will furnish that information for the record on California.

[The information follows:]

Department of Justice

TESTIMONY OF

CAROL E. DINKINS

DEPUTY ATTORNEY GENERAL
DEPARTMENT OF JUSTICE

ON

AMENDMENTS TO THE
COASTAL ZONE MANAGEMENT ACT (H.R. 4589)

BEFORE

THE

HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE

OF THE

UNITED STATES
HOUSE OF REPRESENTATIVES

June 26, 1984

Mr. Chairman, members of the Committee, I am pleased to be here today to present the Administration's views on H.R. 4589, a bill that has been introduced to amend Section 307(c)(1) of the Coastal Zone Management Act (CZMA). The CZMA is significant in that it reflects this nation's recognition that our coastal areas represent both a critical environmental and economic resource of the United States. The Act seeks to establish a delicate balance between what often appear to be competing public interest considerations. Moreover, consistent with our federal system, the Act establishes a balance between state and federal authority in making decisions that affect this important resource and preserves and protects the legitimate interests of both levels of government.

In its twelve year history, the CZMA has been generally successful in meeting these laudable but often elusive goals. Primary land-use priorities have been established in state plans that give state-program managers both the direction and the flexibility to meet state coastal management goals. At the same time, through its consistency requirements, the Act has encouraged federal agencies and decisionmakers to be mindful of state planning objectives and to conform federal activities, to the maximum extent practicable, to requirements of state plans.

The Administration is strongly opposed to the proposed amendments because they threaten to destroy the carefully designed system of balances that has made the CZMA a success. This legislation, which appears to be in reaction to a Supreme Court decision that affected only one small aspect of the CZM process, could drastically alter the scope of the coastal zone management process, disrupt the balance between economic development and environmental protection and undercut the delicate balance of legitimate state and federal interests. As a result, the legislation would generate conflicts instead of cooperation and litigation instead of dialogue. Moreover, at this time, it remains unclear as to whether this legislation would even achieve its intent, that is, to bring OCS leasing within the consistency requirements of Section 307(c)(1). Therefore, the Administration strongly recommends that the Committee reject the legislation. We advise that the Committee defer action on these amendments while regulatory mechanisms at the Departments of Commerce and the Interior are being adjusted which will obviate the need for further legislative change.

The original version of H.R. 4589 attempted to expand the scope of Section 307(c)(1) to capture activities such as OCS leasing. That original bill included language which would require a consistency determination for any activity performed by a federal agency which initiated a chain of events likely to result in identifiable "physical, biological, social or economic" consequences in the coastal zone. It became clear, however, that this earlier version of the bill swept more than was originally intended into its scope. The indirect causal chain of events provided in the earlier bill would have broadened the scope of the Act's consistency requirements to include activities occurring hundreds of miles from the coastal areas. Moreover, by establishing a threshold at "identifiable physical, biological, social or economic consequences," the amendment would have burdened the CZMA process with countless consistency decisions which have only a minimal relationship with the primary coastal values the Act seeks to protect.

After reflecting upon that expansive language, the Subcommittee adopted new language which on its face appeared to restore some meaningful limits in the legislation. The current bill deletes the expansive definition of "directly affecting" that was contained in the first bill and substitutes the term "significantly affecting" for "directly affecting." These changes were proposed so that the revised legislation would carry with it some of the inherent limitations that are currently applicable under the National Environmental Policy Act. In an effort to insure a greater degree of consistency with state programs, the current bill would require federal agencies to insure that their activities were "fully consistent" instead of consistent to the "maximum extent practicable" with state coastal zone plans.

These language changes were drafted in an apparent attempt to establish some reasonable limitations and provide greater certainty to the process. However, a brief review of the legal underpinnings of these terms coupled with an analysis of how they would work in the context of the CZMA process reveals virtually the same deficiencies identified in the original version. The terms of the new version, "significantly affecting" and "fully consistent," are expansive terms without precise meaning. Many new activities may be made subject to the Act as a result of these changes. Moreover, instead of providing greater certainty in the process, federal agencies would have little or no guidance as to when consistency would be required. Accordingly, instead of fostering a cooperative working relationship between the federal and state governments, these amendments would provide the basis for additional conflicts and would ultimately result in additional and costly litigation. Moreover, because these amendments would dramatically expand the reach of a state coastal plan, we will see an increased potential for interstate conflicts under the CZMA. Given the importance of the CZMA program and the disruptive effects of these amendments, the Administration is opposed to their enactment.

I. THE PROPOSED CZMA AMENDMENTS WILL DRASTICALLY EXPAND THE SCOPE AND APPLICATION OF THE ACT.

By adopting the same trigger as NEPA, the term "significantly affecting," the Subcommittee apparently desired to establish a standard that could look to NEPA for guidance and which would carry the reasonable limitations developed under NEPA. However, by simply incorporating the term "significantly affecting," the Subcommittee failed to incorporate the rest of the NEPA standard that provides the limiting language. Under NEPA, impacts are considered in the context of how they might affect the "quality of the human environment." Thus, because impacts are properly cognizable under NEPA only where they are significant to the ecosystem as a whole, small and de minimis impacts need not be considered. Under these proposed CZMA amendments, however, impacts will be considered in the context of how they might affect the "natural resources of, land or water uses in, the coastal zone." Under this standard, virtually every identifiable impact, environmental or otherwise, would be cognizable.

Moreover, by looking to NEPA and the CEQ regulations for guidance, these amendments could require the consideration of more than economic and environmental factors. As Ms. Bear noted in her testimony this morning, under 40 C.F.R. 1508.8, the CEQ regulations require the consideration of secondary impacts such as "aesthetic, historic, cultural, economic, social or health" in decisionmaking. Thus, not only would these amendments pull insignificant impacts into the CZMA process but they could also encompass impacts that bear little if any relationship to the substantive goals of CZMA.

The net result, of course, is that indirect, remote, speculative and de minimis impacts will be raised to subject federal activities to CZMA consistency. This results in a drastic expansion of the CZMA process in both substantive and geographic terms. This expansion will inevitably lead to greater state/federal and state/state conflicts.

Without question, a whole host of federal activities may be swept into the CZMA process and made subject to its consistency requirements. For example, military activities such as the home porting of a naval vessel, operations on a military base or other essential national defense measures may be subject to state veto authority under the Act. Revenue rulings relating to the tax consequences of owning a vacation home or the depreciation of fishing vessels can affect land and water uses in the coastal zone and a state could demand a consistency determination. The term "natural resources" would encompass wildlife and migratory waterfowl and their habitat and by requiring federal agencies to insure that their activities are "fully consistent" with state plans, an agency such as the U.S. Fish and Wildlife Service could be forced to run the gauntlet of competing state CZMA plans in managing migratory birds and their habitat instead of developing a comprehensive program to protect the resource. Because the legislation does not contain clear legal authority for agencies to follow standards that are more environmentally restrictive than policies of states' CZM programs, the National Park Service for example, could find itself faced with state challenges to park management plans that were carefully developed to preserve fragile coastal park areas.

Moreover, because many federal programs and projects are designed to benefit regions instead of individual states, the expansion of the scope of CZMA will inevitably lead to interstate conflict. For example, a flood control, water supply or navigation project designed to benefit an entire region might ultimately be jeopardized by with the coastal plan of a downstream coastal state which may not see any local benefit from the project. Other federal projects, such as inland waterway projects hundreds of miles from the coastal zone, could be particularly vulnerable because the coastal state might perceive the inland ports as being in direct competition with their own open water ports. The opportunities for the coastal state to block or delay such a project under these amendments could be endless.

In enacting the CZMA, Congress recognized the fact that in appropriate circumstances, regional and national interests should take priority over the individual concerns of a coastal state. Accordingly, Congress adopted a procedure allowing the Secretary of Commerce to override state objections to federal permits in the coastal zone. These current amendments, however, go to activities under subsection (c)(1) that do not involve federal permitting and which cannot be appealed to the Secretary of Commerce for an override. Thus, by requiring full consistency for these activities, the Subcommittee would, in effect, grant a coastal state a "veto" over activities which have significant national and regional implications. Military installations and operations, navigation and regional water projects are just a few of the activities which could be subject to such a "veto."

By amending the CZMA in the current manner, the subcommittee is creating results unintended by Congress when it initially framed the CZMA. From an individual coastal state's perspective these amendments may appear attractive in that they significantly increase state coastal management authority. However, when viewed from the federal perspective or from the vantage point of an inland or adjacent coastal state, this increase in coastal state authority should rightfully be viewed with concern in that it may threaten the delicate balance of individual and collective state interests that serve as the basis of our federal system.

II. THE AMENDMENTS WILL RESULT IN ADDITIONAL LITIGATION BY INCORPORATING THE NEPA "SIGNIFICANT" STANDARDS.

Apart from the question of whether Congress should expand the scope and coverage of CZMA to this extent, a separate concern which must be addressed is the degree to which these amendments will inject greater certainty into the CZMA process. In our view, the proposed amendments will make the requirements of CZMA less certain and federal agencies trying to comply with the Act will not be able to anticipate how a given state plan might be applied in a particular situation. This uncertainty maximizes the opportunities for conflict and increases the likelihood of litigation.

While the term "significantly" is apparently intended to incorporate NEPA standards into the CZMA, the federal government's experience in litigating both NEPA and CZMA cases leads us to the firm conclusion that this approach is extremely unwise. Contrary to the perceptions of many, the definition of "significantly" is not at all clear cut. While the CEQ regulations are helpful, they provide little firm guidance. Thus, even though NEPA has been in the statute books for over a decade, the issue of significance has been and continues to be the most frequently litigated issue in NEPA. Congress should realize that parties opposed to certain federal activities are likely to insist that virtually any identifiable impact can be interpreted as a significant one, which would therefore fall within the consistency requirements of Section 307(c)(1). Accordingly, no greater certainty in the application of the CZM program is achieved by use of this term. Instead of establishing the matter by statute, it will fall on the courts to decide, case by case, what impacts are encompassed by this term.

The problem with the uncertain definition of the term "significantly" becomes even more acute in the context of the CZMA. Unlike NEPA, which designates CEQ as the entity to provide some uniformity in its application, the CZMA often involves reliance upon a state's interpretation and application of its plan. Thus, under CZMA, the term "significantly" is subject to interpretation by 28 different states and territories with 28 different CZM plans. What may well be declared insignificant by one state under its plan might be declared significant by another under its plan. Given the general "goal oriented" approach of most state plans, federal agencies would have little guidance as to what might be required of them in a given context.

Nor will court decisions from the inevitable litigation provide the direction and guidance that is absent in this proposed measure. Because many of the state coastal management plans contain certain policies that are broad in scope and uncertain in application, the courts will lack the standards necessary to decide consistency issues unless they simply defer to whatever the coastal agency says that its plan requires.

This result undercuts one of the primary objectives Congress originally established for CZMA: predictability. As is evident from a review of Section 307(a) & (b) of the CZMA, Congress sought to avoid conflict between federal and state interests by having federal agencies review the coastal management plans before they became effective. Requiring federal agencies to achieve consistency with state management plans would only work if the federal agencies knew what was required of them, and when those requirements were applied in advance of plan approval.

For these reasons, based especially upon our years of struggling with those issues in NEPA litigation, we do not believe that the proposed amendments will provide the level of predictability needed. Given the inherent difficulty in determining what the indirect, remote or speculative impacts of federal activities may be and by requiring all agencies to guarantee full consistency for all such activities, this amendment may spawn a generation of divisive litigation that could sharpen federal/state conflicts.

III. CURRENT OCS LEASING PROCEDURES PROVIDE AMPLE CONSULTATION OPPORTUNITIES FOR AFFECTED COASTAL STATES.

To a large extent, the problems posed by this legislation can be traced to the fact that it proceeds from a flawed premise, that is, that the recent Supreme Court decision allows OCS leasing decisions to be made without consulting state officials as to how such activities might affect a coastal state. This simply is not the case. While the decision does effectively remove one stage of the OCS process -- leasing -- from the consistency requirements of the CZMA, it does not exempt these decisions from the requirements of other Acts that provide extensive opportunities for state/federal consultation and coordination. The Outer Continental Shelf Lands Act and other federal laws impose strict requirements on the Secretary of the Interior to insure that OCS leasing decisions are made only after extensive consultation with affected coastal states and after considerable examination of potential environmental and economic effects flowing from a leasing decision.

The OCSLA serves as a blueprint for effective state/federal coordination. Recognizing this country's vulnerability if imported oil supplies were disrupted and mindful of the economic imperative of having dependable and stable energy sources, Congress established, through the OCSLA, a mechanism to provide for the orderly and rapid development of our OCS oil and gas reserves. Yet, at the same time, Congress recognized that the states should have some legitimate role in this process to insure that OCS leasing decisions meshed with state coastal resource priorities. So, to balance these competing priorities, Congress crafted both a long and short range planning process for OCS leasing that mandated meaningful state/federal consultation at the lease sale stage. Once the process moved past the lease sale stage into subsequent phases such as exploration and development, the normal consistency requirements of CZMA are triggered.

It is imperative that the Committee understand just how the consultative procedures set forth in the OCSLA work and how they mesh with the CZMA process.

Section 18 of the OCSLA sets out detailed substantive and procedural guidance for formulating a five-year program. Specifically, Section 18(f)(5) requires "consideration of the CZM program being developed or administered by an affected coastal state" pursuant to Section 305 or 306 of the CZMA. (43 U.S.C. §1344(f)). Section 18(c) provides a process to give the states a direct opportunity to comment to the Secretary of the Interior during the preparation of the five-year OCS program.

In addition, Section 19(a) of the Outer Continental Shelf Lands Act (OCSLA) allows both governors and representatives of local governments to make "recommendations" to the Secretary of the Interior concerning the "size, timing and location" of a particular OCS lease sale on the five-year schedule. The Administration believes that, short of an unrestrained veto, Section 19 grants to the coastal states all the power they claim to seek under the CZMA. This process has, in fact, been working as is demonstrated by the resolution of differences involving California and Alaska in recent OCS lease sales. Under Section 19, the Secretary must accept the governor's recommendation and may accept the recommendations of local governments, unless he determines that they do not provide for reasonable balance between national interests and the well-being of the citizens of the affected states. (OCSLA Section 19(c), 43 U.S.C. Section 1345(c).) If the Secretary of the Interior does make a determination not to accept the recommendations of the local governments, he must communicate to the governor in writing the reasons for this decision, after an opportunity for consultation to implement alternatives that would result in a reasonable balance between these interests. Section 19(d) also provides explicit procedures for judicial review of the Secretary's action upon these recommendations, making it "final" unless found to be "arbitrary or capricious."

Section 19 of OSCLA, enacted in 1978 at the urging of the states, recognized that the CZMA was not a suitable vehicle for state/federal coordination with respect to OCS-leasing decisions because of the speculative nature of impacts that might follow a leasing decision. On the basis of the testimony from the states, Congress adopted this section "[to] ensure that the Secretary gives thorough consideration to the voices of responsible regional and local state officials in planning OCS leasing development."[1] However, Congress made clear that it was adopting the specific procedures of Section 19 which give "final authority to the Secretary because it "did not believe that any state should have a veto power over the OCS oil and gas violation."[2]

We believe that the consultation process has been working effectively. For example, Governor Deukmejian of California recommended that Interior delete some of the tracts from OCS Sale 73 nearest to shore in order to protect beaches, estuaries, and other coastal resources. The result of this consultation was a Memorandum of Agreement (MOA) between California and Interior providing for the deletion of 21 near-shore tracts and the adoption of certain lease stipulations sought by California. On signing the MOA, California stated that these modifications would "accomplish the remaining balance between production of needed oil and gas and protection of our valuable environmental resources."[3] Similarly, Governor Sheffield of Alaska has had sale schedule for Alaska and the deletion of blocks from proposed sale areas. These consultations are indicative of the fact that the cooperative process established by Congress can and does work effectively.

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[1] S. Rept. No. 284, 95th Cong., 1st Sess. 78 (1977).

[2] *Id.*

[3] Letter from G.W. Duffy, Secretary of Environmental

Accordingly, we can rely on the protections afforded in OCSLA rather than the CZMA to protect the coastal states' interest at the initial lease sale stage and rely upon CZMA to provide the consistency needed at later stages. Moreover, the Department of the Interior is developing additional procedures to ensure timely and effective consultation. For example, the Department of the Interior has previously testified before this Committee that it is currently developing a procedure requiring direct contact between the managers of the regional OCS offices and the representatives of affected states to identify relevant issues and seek technical solutions prior to the formal Section 19 consultation process.[4/] As Interior noted, increased importance has been placed on early and complete consultation at the outset of preparing Environmental Impact Statements (EIS's), including the reinstitution of public scoping meetings. More public hearings are planned and the review period has been expanded to 60 days to allow for a more extensive and complete public review of the draft EIS. Finally, Interior has indicated that at the "Call for Information" stage, which is very early in the OCS planning process, states are being asked to identify anticipated future

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[4/] Testimony of Department of the Interior Before the House Merchant Marine and Fisheries Committee, Subcommittee on Panama Canal/Outer Continental Shelf, April 25, 1984.

Section 307(c)(3) conflicts between the state CZM programs and post-lease oil and gas activities. The information provided by the states will be fully analyzed throughout the pre-lease process in an attempt to resolve any outstanding issues prior to the sale. We believe that, given these formal and informal consultation processes, it is unnecessary to require consistency at the lease-sale stage of the OCS process.

Once the OCS process moves past the lease sale stage, the role of the adjacent state in the process is expanded. The procedures that must be followed in achieving consistency at the subsequent exploration or development/production stages are clear and adequately protect a state's coastal zone. An OCS lessee must submit an exploration plan for approval and later a plan of development and production; both of which must certify to the state CZMA agency that its activities, insofar as they affect land or water uses in the coastal zone, will be conducted in a manner consistent with the state plan. At that time, the state is empowered either to agree or disagree with the certification and, if it disagrees, to suggest alternative means by which consistency can be achieved. If the state decides that the operations are not consistent and cannot be made so, the lessee can appeal to the Secretary of Commerce. The Secretary of Commerce may override the state's objection based on the finding that the plan is consistent with the objectives of the CZMA or necessary for purposes of national security. (The Committee should take note of the fact that the Section 307(c)(3) review process has been working well. For example, as of March 1984, the California Coastal Commission had reviewed a number of exploration and development plans and has given its concurrence in a large majority of cases.

In essence, the CZMA does not exist in a vacuum. It is not the only statute which operates to assure adequate protection to the coastal zone. There is a full range of federal environmental laws, such as NEPA, the Endangered Species Act, Marine Mammal Protection Act, Fish and Wildlife Coordination Act, and the Clean Water Act as well as the OCSLA, which apply to both state coastal waters and to activities on the federal OCS. There are ample opportunities for constructive and meaningful state/federal collaboration since all of these environmental and resource-management laws are administered together.

Moreover, the National Oceanic and Atmospheric Administration (NOAA) has demonstrated its intention to assure that the state/federal consultation process works effectively. For example, NOAA is conducting a comprehensive state/federal study of the experience gained to date in applying the federal consistency provisions. It is hoped that this study will identify and document problem areas and examples of successful implementation of the consistency review requirements, and form the basis for reasoned revisions to the CZMA or the implementing regulations.

We should all remember that the benefits derived by our nation from OCS mineral leasing activities are national in scope. For example, revenues generated from the OCS leasing program are one of the largest sources of income after the federal income tax. The federal government has received more than $59 billion in direct revenues from OCS leasing, production and rentals. Moreover, the amount of petroleum reserves produced so far has not been slight -- more than 58 trillion cubic feet of natural gas and more than six billion barrels of crude oil have been produced.

OCS oil and gas resources, moreover, are important to the central goal of the National Energy Policy, as expressed in the President's 1983 National Energy Policy Plan. That goal is to foster an adequate supply of energy at reasonable costs. Two basic strategies of that plan are to promote a balanced and mixed energy resource system, and, while maintaining public health, safety and environmental quality, to otherwise minimize federal control and involvement in energy markets. Despite this Administration's efforts to increase domestic energy production and notwithstanding the significant contribution made by OCS energy development, domestic oil production accounts for only two-thirds of the oil consumed in this country. A major oil supply disruption could present significant problems to this nation's energy security. One of our richest sources of domestic energy is the Outer Continental Shelf, estimated to contain over half of this country's future petroleum resources. Thus, the timely exploration for and production of oil and gas resources on the OCS are vital to achievement of the national energy goal.

The continued production of offshore oil and gas remains essential to the future security of our nation. Offshore oil and gas is widely distributed, not only to the coastal states, but to commercial, residential, and industrial consumers across the country. Thus, residents of the inland states also have an

Section 19 of OSCLA, enacted in 1978 at the urging of interest in the production of OCS oil and gas just as those do who live in the coastal states.

IV. THE PROPOSED AMENDMENTS TO THE CZMA WOULD NOT MAKE OCS LEASE SALES SUBJECT TO SECTION 307(c)(1) CONSISTENCY REQUIREMENTS.

Finally, the Committee should be aware that the proposed amendments do not render OCS lease sales subject to Section 307(c)(1) consistency, given the Supreme Court's ruling in Secretary of the Interior v. California. Instead the court ruled that OCS lease sales fell within Section 307(c)(3). Accordingly, despite these amendments, OCS lease sales would remain a (c)(3) activity and beyond the purview of these amendments to section 307(c)(1).

In considering these amendments, Congress should be aware that both the Departments of Commerce and the Interior are continuing to adjust their regulatory and administrative programs in light of Secretary of the Interior v. California. In addition to the Department of the Interior's effort to more closely consult with adjacent coastal states under the planning requirements of the OCSLA, the Department of Commerce is reexamining its regulations under the CZMA. In our view, Congress should avoid adopting any structural change to either of the acts until the states and the executive branch have had an opportunity to work with these regulatory and administrative initiatives and Congress has had an opportunity to assess the results.

Accordingly, this Administration remains opposed to the enactment of these amendments. States have and will continue to play an important role in decisions relating to the development several discussions with Interior Secretary Clark over the lease of the critical energy resources of our OCS. In adopting these amendments, Congress could upset the critical balance of authority that makes the CZMA an effective and valuable tool in natural resources management.

Senator NICKLES. Thank you very much. One final question—you touched on kind of lightly, you know, that you are aware that there is a movement in Congress, actually a bill pending on the Senate floor, that would overturn a court ruling that deals with Coastal Zone Management Act.

Would you address that just a little bit further?

Secretary CLARK. Yes, Senator. This, of course, was legislation proposed immediately after the Supreme Court ruled that in the first phase of OCS leasing that there was no requirement of meeting existing consistency requirements, and at this hour, there is a house hearing being conducted in which Deputy Attorney General Carol Dinkins will be taking the lead on behalf of the administration on this proposed amendment. I would ask that the statement of Mrs. Dinkins be incorporated by reference not necessarily for the record, but made available to you as stating the very clear position of the administration on the proposed consistency amendment.

Senator NICKLES. If you would either in that form or possibly in the form of a letter because I know that this again, since that bill is on the Senate floor, that we are concerned about it, and I would like to have it, be able to reference it should we end up debating that on the floor.

Secretary CLARK. If I may just make one quick point, I am sufficiently concerned about that bill, and I know Secretary Weinberger and Secretary Lehman share that concern because this bill's impact goes far beyond OCS considerations, but it is the only proposed legislation in my 3½ years in Washington that I have suggested publicly in advance that if it goes to the President in its present form, I would recommend a veto.

I think it is simply duplicative and will create litigation. It is ambiguous, and I will stop there and endorse Mrs. Dinkins' statement.

Senator NICKLES. I share your opposition, and I am looking for some additional information to help us on the floor.

Secretary LEHMAN. If I could add, the Department of Defense's opposition is equally strong but for different reasons. Accordingly, we would be recommending the same veto. It has been suggested by some that Defense Department concerns could be accommodated by exemption, but we do not believe that that would eliminate the problems that we see in litigation and in a whole new area of interminable delays and procedural and administrative problems for us. So, even exemptions would not solve our problem.

Senator NICKLES. Thank you very much, Mr. Chairman.

Senator WEICKER. Senator Murkowski—it is my understanding that the Secretary has to be at the White House at noon. I want to certainly comment that was our agreement with him.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman. Mr. Secretary, the pending legislation, S. 2324, Senator Packwood's coastal zone management legislation which you have indicated that you would recommend a veto on because of its unworkability, we seem to be at an impasse in providing assurance or reassurance to the affected States that somehow their interests will be compatible with those of the Federal Government.

It seems to me to have reached a stonewall in the sense that we have seen 52 million acres put in the moratorium status, and my question to you, sir, is, is there in your opinion any light at the end of the tunnel in reaching some kind of compromise that would effectively balance the State and Federal interests or does one necessarily have to supersede the other?

Secretary CLARK. With respect to the light at the end of the tunnel, Senator, I see a lot of it. I hope that as occurred last week in the case of coal lease sales that we have demonstrated an ability in good faith to deal with not only States but local governments and individuals case by case, issue by issue, in working out these sales. My hope is that as in coal sales, we will see not one acre under emergency moratoriums as we go into the new fiscal year. I think we have demonstrated in your own State the ability to sit down with fishing interests, with Native American interests, certainly with the Governor and his staff, in constant communication with the congressional delegation, to effectively manicure these proposed sales.

We have reduced in response to the Governor's request, acreage to one-third of what had been originally proposed in these two OCS sales. There will be a maximum of three sales a year off the coast of Alaska as we still seek to balance out the benefits and detriments of OCS leasing as required by the law. I am confident we can do it. We have said we would, and we have demonstrated in our most recent sales I believe that Interior can accomplish that.

Senator MURKOWSKI. Well, I share your optimism, and perhaps you are optimistic because you have to be, but the reality that exists and the opinions with regard to the benefits of OCS leasing off the coast of various States seem to be at odds with those that would suggest that it is of long-term benefit for those States not to have that development because of the concern over other attractive alternatives, whether it be tourism or justifiably other interests, and I just don't see how you can expect to resolve these differences in any degree of compatibility without—all you are doing with these proposed sales is providing the right to go out and search. The time elapse can be anywhere from 1 to 4 years before any exploration will occur.

Development in reality assuming you had a commercial field is 7 to 14 years, and the moratorium process is continually confronted with the question well, we need further time, and we reach that time and then the litigation is extended for one reason or another.

I would certainly agree with you, Mr. Secretary. You have been most cooperative in our State. I think you have eliminated about 83 percent of the area initially proposed in the Bristol Bay area. One has to, of course, ask why so much was put up in the first place, and I think that is reflected on a number of your previous sales where indeed the industry has not seen fit to bid on large percentages, in excess of about 65 percent, because evidently the geology didn't favorably entice them, so what we are saying here is on one hand, the policy of Interior is really necessary, and then on the other, the reality of how you overcome diametrically opposed forces.

I don't think there is necessarily the same comparison with the coal industry and the moratoriums that were issued there.

Wasn't that a question of price and the Federal Government getting a fair price? And the testimony we have heard today, Mr. Chairman, there is no question, no mention of price. It is strictly a reality of whether you want development or you don't want development, and we have a very real concern in our State when we see the other coastal areas, the Atlantic coast, moratoriums on the coast of California, or the question of well, how much of the impacts are we going to have to assume in Alaska where we have got some 33,000 miles of coastline? And our ability to work with you I think has been extraordinary, but I just don't see how you can maintain that, the degree of optimism which you do today in view of what we have heard from the Senators from California, the Senator from Florida, and I just don't know. You need more tools.

You say you are against S. 2324 because it puts a veto on your authority, and I don't contend that it doesn't.

Secretary **Clark**. I guess I go back to my first days with Governor Reagan, who still believes in the principle that given the correct facts, the American people do the correct thing. I could tell today as we went through some of these statistics, reciting the requirements of the law, and the facts and where we really stand, that some of this appears to be news to certain members of the committee, and I think that maybe if we have had a shortcoming or failure at the Department, it has been our inability to articulate the law and the issue in the past. I would hope that, as I stated in the House appropriations hearings that we take time among our many other responsibilities to concentrate on the strategic, the economic, and the environmental issues and we will find that the law that you created in 1953, in 1978, was certainly the correct thing to do, and we just have to be given the ability to follow it down the hill, and we can't in a case of moratoriums, Senator.

Senator **Murkowski**. As you know, Mr. Secretary, we had a situation the other day where the House Appropriations Subcommittee, Chairman Yates, unilaterally took action without the support of the Governor of Alaska, without the support of the Alaska delegation, and basically proposed a moratorium on the appropriation amendment before the House. It's back-door policymaking, but yet this has been done over and over again, and I think supports my contention that it is going to be very, very difficult for you to resolve the dilemma that is under consideration, and another thing that I find very inconsistent, everybody wants to get in on the OCS revenue sharing. They are clamoring, but if we don't have any OCS lease sales, where are the revenues going to come from? And yet there seems to be no link between the two, but there certainly is.

Secretary CLARK. There is, and of course we are sharing that revenue now among the 50 States, and again as I pointed out to Senator Johnston, or I didn't need to point it out to him, since he knew before he asked the question—that is pretty well guided right now by statute. It is a matter of implementing that law which I assure you I am going to try to do.

Senator MURKOWSKI. Do you really believe that you can generate the revenues that have been projected by the administration from OCS lease sales? As I recall under Secretary Watts' testimony, there was about $7 billion projected for the Federal Treasury.

Secretary CLARK. From?

Senator MURKOWSKI. OCS lease sales.

Secretary CLARK. Our projected revenue for 1985 which is really a ballpark estimate because we simply don't know whether we will even be in business in 1985 if 147 million acres of moratoriums go on, but it is in the area of, Bill, what, 7.——

Mr. BETTENBERG. I think it is about 6.6 billion.

Secretary CLARK. About 6.6 billion; that is down from 10½ billion 2 years ago.

Senator MURKOWSKI. So it is on its way down. Thank you, Mr. Chairman.

Senator WEICKER. Thank you, Senator. Other questions will be submitted for the record.

Senator Johnston?

Senator JOHNSTON. Yes, Mr. Chairman. Could we ask the Secretary to submit for the record the evidence of the cost of this CZM consistency legislation.

Secretary CLARK. Yes, Senator Johnston.

[The information follows:]

When States are opposed to lease sales, it is reasonable to assume that financial costs of moratoria and consistency objections, if sustained by the courts, could be substantially the same. Of course, in areas such as the Atlantic, where many States could be affected by a lease sale, one State could oppose leasing of some or all blocks, while other States may favor leasing. However, we really cannot tell what the States or the Congress may do. There are several environmental interest groups which oppose lease sales. Their influence in Congress regarding moratoria may or may not be the same as their influence over State coastal program consistency actions. Moreover, the States' actions vis-a-vis consistency have not been predictable to date. Massachusetts expressed problems with a portion of the Sale 52 and Sale 82 proposals where they had previously granted consistency certifications for all site-specific exploratory activities proposed by leasses under section 307(c)(3)(B) of the CZMA. Because many State policies are so vague, their treatment with respect to any particular leasing proposal cannot be predicted. Therefore, there is no way to develop meaningful estimates of potential revenue losses from S. 2324. They could, however, be sustantial.

Senator WEICKER. Let me say this also in response to some of the comments that Senator Murkowski made, and comments that I was having with Senator Johnston, there is no question in my mind that when the day comes that man can live and work on the ocean floor as well as he can on land, that you are going to eliminate the fear of the unknown, and that is what is going to resolve this problem of drilling for oil in the ocean. They go hand in hand.

That is why the American people are concerned. They don't know. There is an unknown there. What do you do if something happens?

That's the key, I am convinced of it, to eliminating the fears that exist from the environmental point of view, and that is why I have emphasized on what we are doing in terms of achieving the capability of living and working under the sea.

I would settle for one one-thousandth of the money that we are spending in space to have that same capacity on the ocean floor. When that happens, the fear won't be there because it won't be unknown and indeed you will be able to deal with situations of an emergency nature should they arise.

Right now our ability is crude at best as to how we handle an emergency if indeed it happens.

Senator **JOHNSTON**. We would like to volunteer Senator Weicker to live on the ocean floor.

Senator **WEICKER**. From time to time the Republican Party and the President would be delighted to have that situation occur, but I always worry as to who is going to cut my air hose.

In any event, I very much appreciate your attendance before the committee, Secretary Lehman also, and again I do have some questions, but because of the limitations of time I will submit those for response for the record.

Secretary **CLARK**. Thank you, Mr. Chairman. Thank you very much.

[Subsequent to the hearing the Department of the Interior submitted responses to additional questions:]

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUL 30 1984

Honorable J. Bennett Johnston
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

Dear Senator Johnston:

This is in response to the list of questions dated June 27, 1984, which you submitted to the Department as a result of the June 26 hearing on Outer Continental Shelf leasing activities. Your questions with our responses to each are enclosed. If we can be of further assistance, please contact us again.

Sincerely,

Assistant Secretary - Land and
Minerals Management

Enclosures

Question No. 1

Apparently there are still some differences to be worked out between the Department of the Interior, the Air Force, and NASA regarding Lease Sale 90 in the South Atlantic. Is that correct? On June 19, 1984, the Acting Assistant Secretary for Land and Minerals Management wrote Chairman Yates a letter on this subject and he said, "In any event, no area will be included in this sale without DOD concurrence."

Will NASA's concurrence also be required before the lease sale? If so, do you agree that there is no useful purpose served by efforts in the Congress to place a moratorium on Lease Sale 90 based on concerns about Air Force or NASA facilities?

Answer

With regard to Sale 90 in the South Atlantic, all of the differences have been worked out among the Department of the Interior, DOD, and NASA. Below 31° N. latitude, no areas within NASA's flight clearence zone for the Kennedy Space Center and the Eastern Space and Missile Center will be offered for lease. However, there is some acreage below 31° N. latitude and outside of the NASA/DOD areas of concern which remains available for possible leasing. Since all of NASA's and DOD's concerns were satisfied by this agreement, we agree that there is no reason for placing a moratorium on Sale 90 based on those reasons. However, as you are aware, the Department is opposed to moratoria under any circumstances.

Question No. 2: Would you provide for the record a list of the amounts of acreage deleted or deferred in lease sales to date based on accommodations to DOD or NASA?

Answer: Acreage deleted to date for Department of Defense or NASA reasons is listed below for sales on the current (July 1982) 5-year schedule. These figures do not include acreage of DOD concern that was deferred by overlapping moratoria. Deferrals were made at the proposed Notice of Sale stage except for Sale 111 when blocks were deferred at Area Identification, and Sale 73 when blocks were deferred at the final Notice step.

Sale	Acreage deleted (millions of acres)	
	DOD	NASA
78 (S. Atlantic)	11.1	(Concurrent)
73 (C. & N. California)	0.7	-
80 (S. California)	6.4	-
82 (N. Atlantic)	1.6	-
83 (Navarin)	1.4	-
81 (C. Gulf of Mexico)	0.4	-
111 (Mid-Atlantic)	2.5	-

ORED
July 12, 1984

Question Number 3:

You stated in your testimony that the net present value of the revenues to the Treasury foregone because of the leasing moratoria now in place is $3.7 billion if these moratoria are retained for 10 years. If you add to this the moratoria proposed in Congress for FY 1985, then the total loss to the Treasury is $6.1 billion, is that correct?

Would you provide for the record a breakout of the net present value loss to the Treasury of each of the moratoria proposed for FY 1985?

Answer:

The cost of a 10-year delay to the economy, not the Treasury, due to the leasing moratoria in place for FY 1984 was $4.8 billion, not $3.7 billion. One cannot add the FY 1984 moratoria costs to the FY 1985 moratoria costs to arrive at an estimate of lost revenues. Instead you should add the incremental cost of continuing each moratoria for an additional year, otherwise you would be double-counting resources which can only be depleted once. Consequently, if leasing of the hydrocarbon resources currently estimated to be in the moratoria areas are delayed until FY 1995, the loss in revenue of each of the moratoria proposed for FY 1985 are as follows:

Sale No./ Planning Area	1-Year Incremental Cost Over FY 1984 ($MM)	Cost of Delay Until FY 1995 ($ Billion)
80/Southern California	$150	$2.5
82/North Atlantic	5	.1
91/Central & Northern California	130	2.2
Total	$285	$4.8

As you can see the loss is $4.8 billion not $6.1 billion.

S. 2324 (Packwood OCS Consistency Bill)

Question No. 4

If S. 2324 is enacted, will States have any reason to press for moratoria amendments on appropriations bills in the future? Will the States have in effect a veto power on OCS lease sales?

The Committee report on S. 2324 argues that the bill does not provide a veto power because under CZM the Secretary of Commerce has authority to disapprove a State's CZM program altogether if the State is not providing "adequate consideration of the national interest" involved in OCS development for energy resources. How would you answer that? Wouldn't the Secretary of Commerce be reluctant to impose the "atom bomb" sanction which would wipeout the State's ability to defend its coastal zone altogether under the CZM against real threats to the coastal zone?

Answer

It is clear that the proponents of S. 2324 intend that its enactment will provide greater state authority over the conduct of Federal OCS lease sales. The Justice Department, however, has testified that the proposed legislation would not render OCS lease sales subject to section 307(c)(1) consistency, given the Supreme Court's holding that OCS lease sales are a section 307 (c)(3) activity. Even if OCS lease sales were covered, however, Interior would continue to formulate lease sale proposals in accordance with the schedule of the approved 5-year leasing program. Some States might prefer not to assert their new consistency powers, letting the Congress shoulder, through Congressional moratoria, the public responsibility for retarding offshore energy production. Nonetheless, the motivation for support of moratoria would appear to be reduced. The net effect in denying the national interest in development of offshore oil resources could be substantially the same.

It should be noted, however, that the limits of any State veto power under the pending legislation are uncertain. States would be able to assert consistency only for the mandatory and enforceable elements of their programs. While the policies of State programs seem more appropriate to issues concerning coastal zone effects from activities on selected lease tracts, there are precedents for the Federal courts to issue injunctions against an entire lease sale on consistency grounds. Such an action would have substantially the same effect as a Congressional moratorium action. States might, nonetheless, seek moratoria to avoid litigation testing the limits of the enforceability of their coastal program policies.

The rationale of the Committee report regarding Secretary of Commerce disapproval of State CZM programs not adequately providing for the national interest is faulty. There are many more real threats to coastal resources than OCS oil and gas leasing activity. (One can debate whether the OCS oil and gas program and other Federal Agency "national interest" progams are being provided "adequate consideration" in the implementation of State CZM programs). However, action by the Secretary of Commerce to withdraw Federal approval from a State's coastal program would not benefit either the State or the Federal interest in protection of coastal resources. It would be imprudent to sacrifice all of the benefits of coastal zone management as a dispute resolution procedure for issues involving only the OCS oil and gas program.

Question No. 5

Not much has been said about the cost of S. 2324 to the Treasury. Assume that States would invoke S. 2324 as a substitute for moratoria on appropriations bills. Is that a reasonable assumption? Can you give us your estimate of what S. 2324 would cost the Treasury in net present value discounted dollars? The existing moratoria and others proposed for FY 1985 would cost $6.1 billion. Is that a reasonably good estimate of what S. 2324 would cost?

Answer

Please refer to our detailed answer to Question 3 for the potential loss due to moratoria. S. 2324 is intended to provide greater State authority over OCS lease sales and possibly could be used as a State alternative to congressionally-imposed moratoria. When States are opposed to lease sales, it is reasonable to assume that financial costs of moratoria and consistency objections, if sustained by the courts, could be substantially the same. Of course, in areas such as the Atlantic, where many States could be affectd by a lease sale, one State could oppose leasing of some or all blocks, while other States may favor leasing. However, we really cannot tell what the States or the Congress may do. There are several environmental interest groups which oppose lease sales. Their influence in Congress regarding moratoria may or may not be the same as their influence over State coastal program consistency actions. Moreover, the States' actions vis-a-vis consistency have not been predictable to date. Massachusetts expressed problems with a portion of the Sale 52 and Sale 82 proposals where they had previously granted consistency certifications for all site-specific exploratory activities proposed by lessees under section 307(c)(3)(B) of the CZMA. Because many State policies are so vague, their treatment with respect to any particular leasing proposal cannot be predicted. Therefore, there is no way to develop meaningful estimates of potential revenue losses from S. 2324. They could, however, be substantial.

OCS Consistency Legislation-Third Party Suits

Question No. 6: Could you discuss the specter of third party suits against private development under S. 2324? For example, let's consider an inland State on the Mississippi River where a private plant is being built that will add to river traffic and that plant is financed by private banks which are insured by the Federal Deposit Loan Insurance Corporation. Given that the "significantly affecting" language in S. 2324 is based on NEPA court cases, if there is no "consistency" determination, would a third party have a reasonable basis for seeking a Federal court injunction under S. 2324 arguing that there is Federal support of an activity that will affect coastal areas at the mouth of the river?

Answer: The example given is extremely speculative. We believe that a successful third party suit would be doubtful, but not inconceivable, in this case because the role of the Federal Deposit Loan Insurance Corporation is so limited it might not be regarded as either "conducting or supporting" the activity and the activity appears to be described as so remote from the coastal zone that it might not meet the proposed "significantly affecting" test. However, the general principle of third party suits is a real concern. It is likely that third party interests could find some Federal role in an action only indirectly related to a particular proposal and pursue it as a basis for litigation.

It is a fact well established through past litigation that the term "significantly affecting" may apply to speculative consideration of second and third order effects. It really is not possible to say where a line could be drawn to say with assurance that a particular effect is so thoroughly speculative and so far removed from the coastal zone as to be below a threshhold of "significance."

For example, a decision to develop coal resources on Federal lands under lease in Wyoming or Utah might be challenged where the coal was scheduled to be transported to California ports for export to Japan. This action would involve Federal activities in leasing the coal and regulation of mining activity and could result in coastal impacts at the export terminal site. We do not question coastal program relevance to regulation of export terminal activities. However, while relevance of mining activities 1,000 miles away could not be clearly ruled out under the proposed legislation, we believe such a result is completely inconsistent with the original intent of the Coastal Zone Management Act.

OCS Revenue Sharing

Question No. 7:

A recent *Washington Post* article indicated that the President had rejected the idea of supporting OCS revenue sharing bill this year. What is your reading of the Administration's current view of OCS revenue sharing legislation? What are your personal views on such legislation at this point?

Answer

The Administration continues to be strongly opposed to the specific revenue sharing proposals included in H.R. 5 and S. 800. The President has directed Secretary Clark to convene a working group under the Cabinet Council on Natural Resources and the Environment to review the general issue of revenue sharing. It is not possible to say at this time what will be either the timing or the results of this study. Secretary Clark supports the study process and on its conclusion will review its findings and make his recommendations to the President.

8(g) Issues

Question No. 1

What is your judgment as to whether drainage is the sole criteria on which apportionment of 8(g) revenue may be made?

Question No. 2

Since Congress called for a "fair and equitable" apportionment of revenues, rather than one based on "drainage", do you not agree that Congress must have meant something more than drainage?

Question No. 3

What other criteria, if any, should be considered?

Question No. 4

The Court in State of Texas v. Secretary of the Interior declined to include within the apportionment formula any consideration for coastal impacts. The reasoning used was that two Federal programs were already in place, i.e., the Coastal Energy Impact Program (CEIP) and the Coastal Zone Management Act. However, the Administration, as you know, has consistently requested no funding for CEIP and only amounts sufficient to terminate the CZM program. In light of this, and in the absence of OCS revenue sharing, do you believe that the coastal impacts of OCS development should be considered in a "fair and equitable" apportionment of 8(g) revenues?

Question No. 6

In Louisiana v. Watt Judge Mentz indicated that taxes will be considered in the apportionment formula if Louisiana can show that the Federal Government is effectively receiving part of its royalty in the form of these taxes. What is your opinion with regard to whether taxes should be so considered?

Answer (to all of the above)

It would be premature to respond to the foregoing questions while the Federal Government is preparing its appellate brief, having previously filed its Notice of Appeal in the litigation.

Question No. 5

How much bonus, rental and royalty revenues from development of oil and gas on federally-owned onshore lands were shared with those States last year? Please include an itemization of direct sharing of revenues and contributions to the Reclamation fund.

Are there any other Federal revenues that were shared with States from production of other minerals? From Federal timber sales?

Answer

(1) States' share of bonus, rental and royalty revenues from development of oil and gas on federally-owned land and from production of other minerals in FY 83 is shown on attachment number 1.

(2) States' share of FY 83 timber receipts on public domain land is as follows:

Alaska	$ 908
Arizona	106
California	26,098
Colorado	8,177
Idaho	26,005
Montana	22,830
Nevada	4,421
New Mexico	1,869
Oregon	193,587
South Dakota	402
Utah	3,086
Washington	12,048
Wyoming	3,899
Total	$303,436

(3) Itemization of direct sharing of revenues and contributions to the Reclamation fund is shown on attachments numbered 2 and 3.

There has been a tendency to attempt to draw similarities between the sharing of revenues from 8(g) tracts and those from onshore producing tracts. However, a review of the language and the legislative history of the OCS Lands Act and section 35 of the Mineral Lands Leasing Act of 1920 shows that section 35 does not provide a reliable guide to what is "fair and equitable" under section 8(g). Section 35 was enacted to compensate the States for the loss of property tax revenue brought about by the change in Federal minerals policy. The root of the issue, of course, is that the Constitution prevents a State from taxing Federal property. Before 1920, the Federal Government disposed of its mineral lands by "alienation": that is, Federal property became private property and private property was subject to State taxation. But under the Mineral Lands Leasing Act, the property no longer left Federal ownership. To make up for this potential loss of taxes, Congress chose to give the States a percentage of the lease revenues from lands within each State's geographic boundary. See, for example, 58 Cong. Rec. 7772-74 (1919).

The situation on the OCS is different. The OCS is outside the boundary of any State. Even if the Federal Government were to alienate its interest, the State could not tax the private property, because "State taxation laws shall not apply to the Outer Continental Shelf." 43 U.S.C. S 1333(a)(2)(A). Even more telling is that section 8(g) concerns only Federal tracts sharing "pools" with State submerged lands; section 35 is not limited to lands with common pools. Consequently, a percentage developed by Congress to compensate a State for lost tax revenues cannot be applied automatically to a statute concerned with common pools.

Attachment 1

STATES SHARE-ONSHORE MINERAL LEASING
BY COMMODITY - FISCAL YEAR 1983

	OIL & GAS	COAL	GEOTHERMAL	PHOSPHATE	POTASH	SODIUM	OTHER	TOTAL
ALABAMA	134,000	260,089						394,089
ALASKA	15,277,687	932						15,278,619
ARIZONA	3,003,587		8,692				4,799	3,017,078
ARKANSAS	651,715							651,715
CALIFORNIA	16,504,421	40	5,837,653	805	309,455	2,629,841	224,079	25,506,294
COLORADO	28,173,535	10,041,969	925	2,953	316	20,233	82,933	38,322,864
FLORIDA	47,758			186,621				234,379
IDAHO	2,941,266		50,606	349,036			3,376	3,344,284
KANSAS	624,970							624,970
LOUISIANA	637,448						51	637,499
MICHIGAN	41,223							41,223
MINNESOTA	446							446
MISSISSIPPI	39,892							39,892
MONTANA	15,379,824	4,662,248		32,666			19,098	20,093,836
NEBRASKA	165,580						3,421	169,001
NEVADA	9,552,967		642,256	230	5,741	10,123	4,734	10,216,051
NEW MEXICO	111,862,757	2,000,377	140,582		2,647,616	5,592	2,151,024	118,807,948
NORTH DAKOTA	8,443,402	1,143,703					142,030	9,729,135
OKLAHOMA	1,186,561	40,241						1,226,802
OREGON	2,769,488	8,113	200,295				-2,342	2,975,554
SOUTH DAKOTA	1,141,681						15,538	1,157,219
TENNESSEE	7,800							7,800
TEXAS	501							501
UTAH	26,282,129	5,416,409	129,751	2,549	22,913		521,887	32,375,638
WASHINGTON	682,011	22,047	24,482					728,540
WYOMING	145,482,004	18,367,063		2,287		4,001,275	389,606	168,242,235
TOTAL	391,034,653	41,963,231	7,035,242	577,147	2,986,041	6,667,064	3,560,234	453,823,612

Attachment 2

STANDARD FORM 1081
Revised September 1982
Department of the Treasury
I TFRM 2-2500

VOUCHER AND SCHEDULE OF WITHDRAWAL AND CREDITS

Transaction Date May 23,1983

Document No. 471516

CHARGE AND CREDIT WILL BE REPORTED ON CUSTOMER AGENCY STATEMENT OF TRANSACTIONS FOR ACCOUNTING PERIOD ENDING May 31,1983

CUSTOMER AGENCY		BILLING AGENCY	
Agency Location Code (ALC) 14-11-0008	Customer Agency Voucher No.	Agency Location Code (ALC) 14-06-0900	Billing Agency Voucher No.
DEPARTMENT	Interior	DEPARTMENT	Interior
BUREAU	Land Management	BUREAU	Reclamation
ADDRESS	Denver, Co 80225	ADDRESS	Denver, Co. 80225

SUMMARY		SUMMARY	
APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT	APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT
Mineral Leasing 145003 Sale of Public Land and Materials 14588X1	191,938,533.06 2,682,089.58	145000	194,620,622.64
(MUST AGREE WITH BILLING AGENCY TOTAL) TOTAL	194,520,622.64	(MUST AGREE WITH CUSTOMER AGENCY TOTAL) TOTAL	194,620,622.64

Details of charges or reference to attached supporting documents

DISTRIBUTION PERIOD 10/1/82 - 3/31/83

145003	$190,115,367.71
145003.2	1,653,353.85
145003.5	169,811.50

BILLING AGENCY CONTACT:
PREPARED BY
APPROVED BY
TELEPHONE NO.

CERTIFICATION OF CUSTOMER OFFICE

I certify that the items listed herein are correct and proper for payment from and to the appropriation(s) designated.

May 23,1983
(Date)

Richard Plunkett
(Authorized administrative or certifying officer)

(202)343-4431
(Telephone No.)

NSN 7540-00-634-4234
PREVIOUS EDITION NOT USABLE

Duplicate - Customer Copy

10 16 WASHINGTON DC 20240
DISTRIBUTION OF RECEIPTS FOR 033183

FROM 145063
TO 145060

RECEIPTS FROM MINERAL LEASING, PUBLIC LANDS
RECLAMATION FUND

	GEOTHERMAL	POTASH	ALL OTHER MINERALS	TOTAL
ALABAMA		.00	225,927.70	225,927.70
ARIZONA	4,678.80	.00	862,437.68	867,116.48
ARKANSAS		.00	130,055.14	130,055.14
CALIFORNIA	2,732,170.06	247,564.00	10,784,818.27	13,764,552.33
COLORADO		.00	12,849,034.73	12,849,034.73
FLORIDA		.00	26,227.63	26,227.63
IDAHO	15,101.20	.00	1,422,743.58	1,437,844.78
KANSAS		.00	283,185.35	283,185.35
LOUISIANA		.00	342,128.82	342,128.82
MICHIGAN		.00	20,759.49	20,759.49
MISSISSIPPI		.00	15,660.13	15,660.13
MONTANA		.00	8,187,742.96	8,187,742.96
NEBRASKA		.00	85,109.96	85,109.96
NEVADA	227,816.60	4,313.90	3,889,704.33	4,121,834.83
NEW MEXICO	66,013.13	1,088,723.91	49,941,344.79	51,096,081.83
NORTH DAKOTA		.00	4,295,802.46	4,295,802.46
OKLAHOMA		.00	621,637.33	621,637.33
OREGON	51,827.20	.00	1,044,083.44	1,095,910.64
SOUTH DAKOTA		.00	553,568.33	553,568.33
UTAH	36,317.20	18,330.40	14,596,262.95	14,650,910.55
WASHINGTON		.00	235,107.71	235,107.71
WYOMING		.00	75,209,168.53	75,209,168.53
145063 TOTAL	3,133,924.19	1,358,932.21	185,622,511.31	190,115,367.71

10 1A WASHINGTON DC 20240
DISTRIBUTION OF RECEIPTS FOR 033183

FROM 145003.2 RECEIPTS FROM MINERAL LEASING, PUBLIC LANDS (DELTN
TO 145000 RECLAMATION FUND

	GEOTHERMAL	POTASH	ALL OTHER MINERALS	TOTAL
COLORADO		.00	455,320.00	455,320.00
MONTANA		.00	95,132.77	95,132.77
NEW MEXICO		.00		.00
NORTH DAKOTA		.00	70,487.57	70,487.57
UTAH		.00	493.01	493.01
WYOMING		.00	1,031,920.50	1,031,920.50
145003.2 TOTAL		.00	1,653,353.85	1,653,353.85

10 1A WASHINGTON DC 20240
DISTRIBUTION OF RECEIPTS FOR 033183

FROM 145003.5 RECEIPTS FROM MINERAL LEASING, ACQUIRED MILITARY L
TO 145000 RECLAMATION FUND

			TOTAL
ARKANSAS	.00	164,674.70	164,674.70
FLORIDA	.00	5,133.60	5,133.60
MICHIGAN	.00	3.20	3.20
145003.5 TOTAL	.00	169,811.50	169,811.50

10 19 WASHINGTON DC 20240
DISTRIBUTION OF RECEIPTS FOR 033183

FROM 145881 SALE OF PUBLIC LAND AND MATERIALS
TO 145000 RECLAMATION FUND

	TIMBER	LAND & MATERIALS	TOTAL
ARIZONA	760.00	118,096.32	118,856.32
CALIFORNIA	76,921.42	156,538.15	233,459.57
COLORADO	71,727.90	37,545.42	109,273.32
IDAHO	233,403.09	45,467.51	278,870.60
MONTANA	148,003.39	53,739.75	201,743.14
NEVADA	65,942.48	96,145.09	162,087.57
NEW MEXICO	16,341.23	227,949.99	244,291.22
OREGON	1,142,538.63	29,108.45	1,171,647.08
SOUTH DAKOTA	973.65	.00	973.65
UTAH	27,550.79	30,076.39	57,627.18
WASHINGTON	31,872.27	95.76	31,968.03
WYOMING	19,322.69	51,969.21	71,291.90
145881 TOTAL	1,835,357.54	846,732.04	2,682,089.58

Attachment 3

STANDARD FORM 1081
Revised September 1982
Department of the Treasury
I TFRM 2-2500

VOUCHER AND SCHEDULE OF WITHDRAWAL AND CREDITS

CHARGE AND CREDIT WILL BE REPORTED ON CUSTOMER AGENCY STATEMENT OF TRANSACTIONS FOR ACCOUNTING PERIOD ENDING 1/31/84

Transaction Date

Document No. 312924

CUSTOMER AGENCY		BILLING AGENCY	
Agency Location Code (ALC) 14-11-0008	Customer Agency Voucher No.	Agency Location Code (ALC) 14-06-0900	Billing Agency Voucher No.
DEPARTMENT Interior BUREAU Land Management ADDRESS Denver, Co. 80225		DEPARTMENT Interior BUREAU Reclamation ADDRESS Washington, D.C. 20240	

SUMMARY		SUMMARY	
APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT	APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT
145003	158,808,160.60	[illegible]	
145001	8,001,988.56	145000	166,810,149.16
(MUST AGREE WITH BILLING AGENCY TOTAL) TOTAL	166,810,149.16	(MUST AGREE WITH CUSTOMER AGENCY TOTAL) TOTAL	166,810,149.16

Details of charges or reference to attached supporting documents

Distribution period 4/1/83 through 9/30/83

145003	157,230,462.53
145003.2	1,569,069.67
145003.5	8,628.40

BILLING AGENCY CONTACT
PREPARED BY [redacted]
APPROVED BY
TELEPHONE NO [redacted]

CERTIFICATION OF CUSTOMER OFFICE

I certify that the items listed herein are correct and proper for payment from and to the appropriation(s) designated

1/23/84
(Date)

Richard Plunkett
(Authorized administrative or certifying officer)

(Telephone No.)

NSN 7540-00-634-4234
PREVIOUS EDITION NOT USABLE

Triplicate - Return Accomplished Copy to Billing Office Copy

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                10  16 WASHINGTON DC 20240
             DISTRIBUTION OF RECEIPTS FOR 093083

FROM 145003          RECEIPTS FROM MINERAL LEASING, PUBLIC LANDS
TO   145000          RECLAMATION FUND
                     GEOTHERMAL              POTASH    ALL OTHER MINERALS     TOTAL
 ALABAMA                                        .00         213,842.92        213,842.92
 ARIZONA                   2,274.80             .00       1,490,765.42      1,493,040.22
 ARKANSAS                                       .00         226,641.92        226,641.92
 CALIFORNIA            1,937,952.19             .00       4,575,651.56      6,513,603.75
 COLORADO                    740.00          252.80      16,939,334.40     16,940,327.20
 FLORIDA                                        .00         155,327.67        155,327.67
 IDAHO                    25,383.60             .00       1,212,199.28      1,237,582.88
 KANSAS                                         .00         216,790.80        216,790.80
 LOUISIANA                                      .00         167,870.12        167,870.12
 MICHIGAN                                       .00          12,215.94         12,215.94
 MINNESOTA                                      .00             356.70            356.70
 MISSISSIPPI                                    .00          16,254.08         16,254.08
 MONTANA                                        .00       7,771,218.76      7,771,218.76
 NEBRASKA                                       .00          50,090.23         50,090.23
 NEVADA                  285,988.19          278.70       3,750,397.46      4,036,664.35
 NEW MEXICO               46,452.60    1,029,369.37      42,867,534.30     43,943,356.27
 NORTH DAKOTA                                   .00       3,408,267.48      3,408,267.48
 OKLAHOMA                                       .00         357,517.02        357,517.02
 OREGON                  108,408.64             .00       1,175,740.60      1,284,149.24
 SOUTH DAKOTA                                   .00         372,206.04        372,206.04
 UTAH                     67,483.60             .00      11,166,239.76     11,233,723.36
 WASHINGTON               19,586.00             .00         328,139.08        347,725.08
 WYOMING                                        .00      57,224,270.44     57,224,270.44
145003      TOTAL 2,494,269.62         1,029,900.87     153,699,371.98    157,223,542.47
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+6,920.06 adj. by 1493

(+) 6,920.06

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                       10  19 WASHINGTON DC 20240
                       DISTRIBUTION OF RECEIPTS FOR 093083

FROM 145881            SALE OF PUBLIC LAND AND MATERIALS
TO   145000            RECLAMATION FUND
                                           TIMBER     LAND & MATERIALS        TOTAL
  ARIZONA                                1,250.20         224,214.23     225,464.43
  CALIFORNIA                           418,925.86       1,069,633.04   1,488,558.90
  COLORADO                              83,616.68          75,861.89     159,478.57
  IDAHO                                260,639.35         216,420.32     477,109.67
  MONTANA                              285,753.50         152,513.26     438,266.76
  NEVADA                                18,048.48         148,063.28     166,111.76
  NEW MEXICO                            19,168.45         158,339.12     177,507.57
  OKLAHOMA                                    .00           6,323.20       6,323.20
  OREGON                             2,535,610.55          13,376.98   2,548,987.53
  SOUTH DAKOTA                           6,647.73          45,949.60-     39,301.87-
  UTAH                                  31,065.73         310,359.19     341,424.92
  WASHINGTON                           197,029.89         131,768.36     328,798.25
  WYOMING                               54,755.97       1,628,502.90   1,683,258.87
145331       TOTAL                   3,912,562.39       4,089,426.17   8,001,988.56
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                10  17 WASHINGTON DC 20240
              DISTRIBUTION OF RECEIPTS FOR 093033

 FROM 145003.2        RECEIPTS FROM MINERAL LEASING, PUBLIC LANDS (DELIN
 TO    145000         RECLAMATION FUND
                      GEOTHERMAL              POTASH    ALL OTHER MINERALS    TOTAL
  COLORADO                                       .00        413,107.77     413,107.77 ✓
  MONTANA                                        .00         20,958.28      20,958.28 ✓
  NEVADA                                         .00         14,341.02      14,341.02 ✓
  NEW MEXICO                                     .00          4,814.98       4,814.98 → payment [illegible]
  NORTH DAKOTA                                   .00          8,750.53       8,750.53 ✓
  WYOMING                                        .00      1,111,912.08   1,111,912.08 ✓
145003.2    TOTAL                                .00      1,573,884.66   1,573,884.65
                                                                            -4,814.98
                                                                        $1,569,069.67

                10  18 WASHINGTON DC 20240
              DISTRIBUTION OF RECEIPTS FOR 093033

 FROM 145003.5        RECEIPTS FROM MINERAL LEASING, ACQUIRED MILITARY L
 TO    145000         RECLAMATION FUND
                                                                             TOTAL
  CALIFORNIA                                     .00            780.00         780.00
  FLORIDA                                        .00            814.40         814.40
  OREGON                                         .00            382.80         382.80
  TENNESSEE                                      .00          6,240.40       6,240.40
  TEXAS                                          .00            400.80         400.80
  WYOMING                                        .00             10.00          10.00
145003.5    TOTAL                                .00          8,628.40       8,628.40
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Question No. 7

In the Texas case Judge Parker gave a long dissertation as to why a Federal district court was ill-equipped to apportion revenues in an instance such as this. He then called for a legislative solution to the problem which would apportion revenues along a statutorily identified formula. What would be your assessment of the benefits of a legislative solution to the 8(g) problem? What should such a solution entail?

Answer

The Department is committed, where possible, to resolving disputes with the States over section 8(g) through negotiation rather than litigation. However, the issues are complex. The views of the court with regard to difficulties it experienced stand on their own merit. If the Congress elects to consider further legislation, the Department will cooperate fully.

Question No. 8: Texas v. Secretary of the Interior. On what grounds might an appeal be granted? What would be the authority of the Appeals Court in light of provisions of the OCSLA which mandated that the district court apportion the revenues in the absence of an agreement between the Governor and the Secretary?

Answer: The language of the statute regarding jurisdiction of the district court does not foreclose the availability of appellate review. All usual grounds for appeal may be applied to Texas v. Secretary of the Interior.

Question No. 9: Please provide the Committee with a current accounting of the revenues in 8(g) accounts for all States involved. Please break these totals down in terms of royalty revenues, bonus revenues, and rents.

Answer: The data requested are attached.

MINERALS MANAGEMENT SERVICE

OUTER CONTINENTAL SHELF ESCROW FUNDS - SECTION 8(g)Only
as of 6/30/84

STATE	BONUS RECEIPTS	RENT RECEIPTS	ROYALTY RECEIPTS	INTEREST RECEIPTS	TOTAL
Alabama	$ 117,627,729.96	$ 363,466.09	$ -	$ 29,189,949.73	$ 147,181,145.78
Alaska	112,328,285.72	1,193,250.65	-	16,799,247.28	130,320,783.65
California	859,272,686.95	1,308,036.10	151,921.67	360,093,860.56	1,220,826,505.28
Florida	91,603.35	1,430.19	-	-	93,033.54
Louisiana	1,517,867,555.47	2,464,249.21	74,267,587.42	718,210,537.47	2,312,809,929.57
Mississippi	41,595,553.74	134,890.35	-	10,335,195.05	52,065,639.14
Texas	841,488,113.66	2,981,040.00	51,375,627.02	329,660,592.44	1,225,505,373.12
TOTALS	$ 3,490,271,528.85	$ 8,446,362.59	$ 125,795,136.11	$ 1,464,289,382.53	$ 5,088,802,410.08

Senator WEICKER. The next witnesses will be a panel consisting of the American Petroleum Institute represented by Mr. Max Pitcher, vice president, North American Exploration, Conoco; the National Ocean Industries Association; Mr. Philip Burguieres, president, Cameron Iron Works, Houston, TX; the International Association of Drilling Contractors, represented by Ronald Lassiter, president and chief executive officer, Zapata Corp. in Houston; Western Oil and Gas Association, represented by Mr. William Crain, general manager, Exploration, Western Region, Chevron; and the Alaska Oil and Gas Association, represented by Mr. Roger Herrera, manager, Alaska Exploration and Lands, Sohio Alaska Petroleum Co.

I request that Senator Murkowski chair this portion of the meeting.

Senator MURKOWSKI [presiding]. We are doing a little substituting, as you can see.

I welcome the witnesses on the panel, and I note that there are two that are not here. Is that correct? Mr. Lassiter and Mr. Herrera.

Mr. BURGUIERES. Mr. Lassiter is here, Senator.

Senator MURKOWSKI. And Mr. Herrera is outside. Well, we will not wait any longer.

Have you decided an order, or do you want me to decide an order? It says here the American Petroleum Institute, by Mr. Max Pitcher, vice president for North American Exploration. Mr. Pitcher, would you care to begin the testimony? We appreciate your patience throughout the morning and hope that you as well as we have been enlightened.

With that profound observation, I will ask you to proceed.

STATEMENT OF MAX G. PITCHER, VICE PRESIDENT, NORTH AMERICAN EXPLORATION, CONOCO, INC., ON BEHALF OF THE AMERICAN PETROLEUM INSTITUTE

Mr. PITCHER. Thank you. Mr. Chairman, members of the committee, my name is Max G. Pitcher. I am vice president for exploration for Conoco. I am appearing today on behalf of the American Petroleum Institute.

I have a formal statement which I request be made a part of the record.

Senator MURKOWSKI. It will be entered in the record in full.

Mr. PITCHER. I am pleased that members of the Senate Energy Committee are looking into a major roadblock to offshore petroleum exploration and production. For too long now decisions restricting access to the Outer Continental Shelf have been made through a moratoria contained in appropriations legislation, often without the benefit of thorough hearings.

Like so many vital energy issues, the moratorium issue has been ignored because we have grown complacent. Current unrest in the Persian Gulf has no apparent effect on petroleum supplies or prices. Many people conclude that energy is no longer a problem.

Mr. Chairman, they are wrong. This Nation may be able to escape the current conflict in the gulf without serious supplies disruptions. The conflict in the gulf may, however, escalate. If it does, the Free World could experience a net loss of 4 million barrels of oil a day—more than twice the amount lost in the aftermath of the 1979 Iranian Revolution.

Price and supply repercussions would be felt worldwide. The threat of an energy shortage is not restricted to war-created supply interruptions. That threat is also a product of long-term trends between supply and demand. Currently the world enjoys an excess productive capacity of some 10 million barrels a day. Decontrol of crude oil prices and conservation help explain that situation. The prospect for an extended surplus, though, are not good. Domestic demand is beginning to rise again, but domestic production is not matching that growth rate.

Let me share with you a frightening statistic. Conoco's figures show that if the Nation is to keep domestic production rates constant, more than one half of the oil that will be produced in the year 2000 is yet to be found. Our figures show that the United States has the most undiscovered reserves of any country in the free world. We don't know specifically where that oil is, but we believe that about one half of the undiscovered oil in this country rests in the OCS.

Currently 10 percent of the oil and 25 percent of the natural gas the Nation consumes comes from offshore wells. The industry has drilled and produced 10 billion barrels of oil and 72 trillion cubic feet of gas in those 30,000 wells. All this energy has been produced despite the fact that only 3 percent of the Federal OCS has been leased and less than 1 percent is producing energy. It takes long lead times to get some areas on production.

We are now preparing for the Beaufort Sea sale. If oil is found there, production would start in the mid-to-late 1990's. Continuing Congressional moratorium makes leasing very difficult. Prohibitions on leasing are primarily motivated by, one, environmental concerns; two, conflicts with commercial uses; three, fair market value; and four, States rights issues. I will speak to environmental concerns.

The oil industry has demonstrated that we can drill offshore and protect the environment at the same time. Since the Santa Barbara spill, less than 1,000 barrels of oil have been lost to blowouts in the United States. During that same period, 4 billion barrels were produced, only 1 barrel lost for every 5 million barrels produced.

By any reasonable environmental measure of national need, offshore drilling must be judged a necessity. We hope that as this committee considers the issue you will agree that moratoria are both unnecessary and harmful. We believe that the Nation will be served while the environment is protected if we allow the normal leasing system to operate in all areas of the Outer Continental Shelf.

Thank you.

[The prepared statement of Mr. Pitcher follows:]

TESTIMONY OF

MAX G. PITCHER
VICE PRESIDENT, NORTH AMERICAN EXPLORATION
CONOCO, INC.

On Behalf Of The

AMERICAN PETROLEUM INSTITUTE

Before The

ENERGY AND NATURAL RESOURCES SUBCOMMITTEE
ON ENERGY CONSERVATION AND SUPPLY

Of The

UNITED STATES SENATE

June 26, 1984

Mr. Chairman, members of the Committee: my name is Max G. Pitcher. I am Vice President for North American Exploration for Conoco, Inc. Today, I am appearing before your Committee on behalf of the American Petroleum Institute, a Washington based trade association representing more than 6,000 individuals and 235 companies involved in all facets of the petroleum business.

I am particularly pleased to have the opportunity to be here today. I am delighted that the issues hindering offshore development are being examined by this Committee -- with your special responsibility for and expertise in energy issues.

I must confess that I have been concerned about the recent tendency to allow critical questions about an important facet of the nation's energy future, the development of our offshore oil resources, to be answered in the context of appropriation rather than authorization bills. I am particularly concerned about the fact that the actions of the Senate Appropriations Committees have neither been the subject of formal hearings nor has the decision to place a moratorium on leasing in certain federal lands offshore ever been validated by a vote directly on that issue in either House of Congress. So I am pleased to see the issue of offshore moratoriums in finally being explored by this Committee.

Let me, if I may, give you a little background which may help put the issue in context.

I begin with a fundamental fact: if we do not change our approach to energy policy, this nation will face another "crisis" in the near future. Please note, I said that was a "fact;" not an assumption, not a hypotheses, but a fact.

I realize, only too well, that such a statement is unlikely to be generally accepted. Most people point to the current conflict in the Persian Gulf annd to the singular lack of impact it has had on world energy markets as evidence that our energy problems have ended. Those are probably the same people who believed that the problem was solved after the 1973-74 embargo -- and were, as a result, stunned by the return of gasoline lines in the aftermath the Iranian revolution in 1979.

Still, I agree that we are in a better position to deal with a cut off today than we were ten years ago. There have been some fundamental changes in American policy toward energy in the last decade, and that has made a significant change in our current capabilities. We have, for example, decontrolled oil -- an action which allowed the petroleum industry to halt an alarming trend toward decreased domestic production. In addition, the nation learned the hard lesson of conservation -- our economy has grown while our consumption of energy has actually declined. And finally, the country decided to plan ahead -- the Strategic Petroleum Reserve, which now holds over 400 million barrels of oil, is a prime example of effective planning.

Those policy changes have created an environment in which the threat of a supply disruption is no longer sufficient to cause panic. But they have not been sufficient to create conditions which would prevent an actual disruption from causing problems.

The plain truth is that if the Persian Gulf were closed, significant disruptions would result. While a total closure would cause the loss of 8 million barrels a day, changes in production and transportation schedules could halve the shortage. Still, the loss of 4 million barrels a day -- more than twice what the free world lost in 1979 -- is not insignificant. The impact on prices could be substantial. And the dislocations created would be felt throughout the free world.

The nation may yet escape that kind of crisis. But even if we do avoid such a crisis, there is another threat looming before us.

Today the world enjoys an excess productive capacity of roughly 10 million barrels a day. Our own actions -- primarily decontrol and conservation -- have certainly contributed a great deal to the creation of that excess. But those actions have already yielded their major benefits. And the recession, which certainly helped suppress demand, seems to have about run its course. The net result is that demand is beginning to increase again -- current projections put the rate of increase at approximately 4 per cent per year. If that rate persists, and it probably will since it is consistent with the historic annual increase in demand, we will deplete the world's excess capacity within the space of 5 to 10 years. That means that we will be right back in the same state of delicate balance that characterized -- and contributed to our problems -- in 1973.

In fact, the nation may be in even worse shape. In 1973, we were only importing about 1/3 of our oil. We are back at that figure right now. And we are going higher. If current trends in domestic consumption and domestic production continue, we could approach the turn of the century with import levels reaching fifty percent. And the bulk of the growth in imports would come from Middle Eastern nations.

These projections assume that current trends continue. But they will not. The trend line for domestic production is going to be moving down rather than going up or even staying constant.

Our best estimates suggest that in the year 2000 more than 75% of domestic production will come from reserves yet to be discovered. Finding those reserves poses a tremendous task. But it is one that this industry believes it can handle -- if it is given the tools.

One of those tools is access to offshore lands which, according to the federal Minerals Mangement Service, contain at least half of the oil and natural gas yet to be discovered. We know how to look for that oil and gas offshore -- and we know how to produce it safely.

The petroleum industry has been drilling offshore since the 1890's. In the modern era, since 1949, we have produced over 10 billion barrels of oil and 72 trillion cubic feet of natural gas from state and federal offshore lands. And we have done this despite the fact that arbitrary limitations have allowed only about 3 percent of the OCS to be leased.

That historical record can be put into a contemporary perspective. Right now 10 percent of our domestic crude oil and 25 percent of our natural gas supplies come from the OCS. Even more remarkable is the fact that so much oil and natural gas is coming from so small an area -- less than one percent of our offshore lands.

Some people misunderstand the implications of those statistics. They conclude that since we are getting so much energy from so small an area, then there are no consequences from closing off other areas of the OCS. Why complain about moratoriums which shut off 52 million acres when so much energy can come from the rest of the OCS?

That argument ignores the history of OCS production. Let's look at the facts. The federal OCS covers about 998 million acres. Over the past 30 years, the petroleum industry has had the opportunity to look at about 225 million acres that have been offered at the time of lease sales. Only about 30 million acres (3 percent of the total OCS) have been leased, and only 7 million acres (less than 1 percent of the total) are currently productive. Those figures demonstrate that the OCS lands are evaluated carefully and that the industry's decision to acquire acreage and the ability to produce is highly selective. The industry looks at tens of millions of acres; it then seeks to lease between 5 to 10 million acres annually; and an even smaller number of acres actually end up yielding substantial supplies of energy.

It is precisely the selective nature of OCS development which makes these moratoriums so insidious. While proponents claim that they just want to put some lands off limits for a year, past experience demonstrates that the prohibition on exploration is continued year after year. And while some suggest that the amount of land is relatively small -- "just" 52 million acres -- that constitutes almost one-fourth of all the OCS lands that have been made available by the federal government for leasing since 1954.

Congress apparently believed, at least at one point, that OCS resources ought to be produced. In 1978, it passed the Outer Continental Shelf Lands Act Amendments which were designed to facilitate exploration of the OCS. The industry responded. Since then we have leased about 19 million acres and spent billions of dollars on exploration activities. But while we have been expanding our search for energy, Congress has recently begun to restrict the range of our activities. In FY 81, by an amendment to an appropriation bill Congress placed a moratorium on 736,000 acres which were scheduled to be offered for lease. In FY 82 those same 736,000 acres were subject to a moratorium -- and an another 31 million acres were added to the proscribed list. By FY 83, all the original acreage was still under a "temporary" "one year" moratorium and another 20 million acres were added for a grand total of 52 million acres now firmly off limits. Today there is talk about expanding the restrictions to include new areas off Alaska and Florida.

It is our position that these these moratoriums are unjustified.

It is a fact that they are dangerous.

Lets look at the danger first.

This practice of suspending leasing activity in selected areas creates a good deal of confusion and uncertainty. As a result, one of the effects of such moratoriums may well be a reduction in offshore lease seeking activity by the oil industry. This is not a prediction; but continued uncertainty about whether particular areas will or will not be made available has an impact on firms which must invest millions of dollars in research efforts designed to determine if they should bid on a lease if that lease becomes available.

In addition there is the potential loss of oil and natural gas from the particular lease in question. When a lease is delayed for "one year", such a delay does not mean that the lease will be producing "one year" after the moratorium is lifted. Instead, 10 to 15 years are needed to turn leased acreage into producing acreage. The nation cannot afford to delay making leasing decisions. Given the lead times involved, the decisions made about OCS leasing today will have a profound effect on the nation's energy posture as it enters the 21st century.

Members who have been following this issue know about the danger associated with delaying development of our offshore resources. Some members, however, support moratoriums because they believe OCS exploration poses a risk to the environment.

No one can eliminate entirely that risk. But moratoriums based solely on that fear are unjustified. If we are to look at the risk of environmental damage rationally, it must be viewed from a number of perspectives. It is not sufficient simply to say that a risk exists and therefore we ought not act. We must measure the risk, understand the alternatives, and balance the relative costs and benefits of various courses of action.

Some risks do exist. But, they are minimal. The evidence is there for anyone to see in the record this industry has developed over the years that it has been drilling offshore. We have drilled over 30,000 offshore wells. During that time, only one accident has allowed substantial amounts of oil to escape and mix with the sea and reach American shores. That instance, of course, was the Santa Barabra spill which took place over 15 years ago. No one denies that it was a serious event. But scientists would deny that it has done any long term harm to the area: their studies consistently demonstrate that there have been no long term ecological consequences associated with the spill.

That event was not an environmental disaster. Indeed, it may actually have been an environmental protector. Because of the public and political concern it created, new laws and new regulations were adopted. Industry accelerated its efforts to develop new techniques and refine old technologies to improve drilling operations. These decisions were designed to make sure that offshore drilling is conducted in an environmentally safe manner. We now have over 3 dozen major laws which govern our operations on the OCS; there are 17 major permits which must be secured; there are 74 separate sets of regulations which must be obeyed. And all those efforts have paid off. Since 1970, only 791 barrels of oil have been lost to blowouts in US waters. During that same period, 4 billion barrels were produced from the OCS. That comes out to one barrel lost for every 5 million produced. In fact, total spillage from offshore production operations adds less oil to the marine environment than any other commercial use of the ocean.

While blowouts have been virtually eliminated, it is true that smaller releases of oil into the ocean environment are associated with normal drilling activities. The average amount of oil lost in such spills comes to five thousand barrels a year -- and while that sounds like a large number it is far less than the amount "spilled" through natural forces. For example, off the coast of California there is a fissure in the ocean floor, at Coal Oil Point which releases 22,000 barrels of oil into the sea each year. That one natural fissure, then, releases four times the amount of oil lost in all offshore drilling operations.

The point is that improvements in the law, improvements in technology, improvements in regulation have created a situation in which environmental protection is a paramount concern -- and a paramount result -- of offshore drilling.

Still, despite that record, some people in coastal areas might be concerned. The petroleum industry is willing to meet those concerns. If there are areas which require special consideration the industry will try to accommodate them. Our record demonstrates that. Mr. Chairman, we can deal with any legitimate environmental concerns, but it is impossible for us to accommodate a moratorium; it is impossible for us to adjust to a ban.

In addition, we are willing -- and able -- to prove that offshore development is totally consistent with both sport and commercial fishing. The available evidence clearly indicates that fishing is not negatively affected by ocean drilling. In fact there are some studies which suggest that fish are actually attracted to the drilling platforms, that they tend to congregate around them, and that fish populations may actually increase as a result of the presence of drilling platforms. That is why in some regions of the country -- particularly in Florida -- government units have actually purchased platforms when production has ended and then sunk them into the ocean so that they can continue to serve as a sort of artifical reef.

The concern about the impact of offshore development on the future of fishing just does not appear to be justified by the evidence.

What the evidence does justify is a concern about the energy future of the United States. We are faced with a certain energy crisis and yet we seem reluctant to deal with it -- to take the steps now which can help us avert or at least moderate a crunch down the line. Development of the Outer Continental Shelf is not a policy which is risk free. But it is a policy which can help to free us from the inevitable and inherent dangers of supply disruptions or shortages. We believe, it is a risk that should be taken.

Finally, I want to make it clear that OCS development involves more than risks -- it also promises great rewards. In addition to the immediate energy benefits, there are direct economic consequences of OCS exploration which ought not be ignored. For example, petroleum companies must pay for the right to look for oil and natural gas offshore. Between 1954 and 1983, for example, the federal government received over $68 billion in the form of lease bonuses, rentals and royalty payments from petroleum companies as a direct consequence of their OCS operations. In addition, of course, those companies also paid taxes on the earnings generated from the oil produced offshore. Leasing moratoria likely will reduce the amount of royalties and rentals paid to the U.S. Treasury.

Offshore exploration also produces jobs. Employment opportunities are created by the actual offshore operations; jobs also are opened up in industries which support the drilling operation. For example, some of the steel used to build offshore rigs comes from Pennsylvania and Ohio. Sophisticated computer equipment used to process and analyze geophysical data is manufactured in Rhode Island, Massachusetts and

Connecticut. Crews and supplies are transported to and from some offshore rigs in helicopters and boats that come from Oregon. And the special shoes, hard hats and work clothes worn by crew members are made in Pennsylvania and other states. In fact, almost every state in the union draws some jobs from OCS related activity. Every state draws, either directly or indirectly, on the energy produced from offshore operations.

As this Committee examines the issue of moratoriums on offshore leasing, we certainly hope that you will conclude that the OCS offers our nation a path to greater energy security and economic development. We also believe that you will find that the risks associated with offshore development are minimal.

Finally, we believe Congress has every reason to encourage OCS development and no reason to impose bans or moratoriums on OCS leasing in any area.

Senator MURKOWSKI. Thank you very much, Mr. Pitcher. The next witness is Mr. Phil Burguieres, president, Cameron Iron Works, Houston, TX.

Mr. BURGUIERES. Thank you, Mr. Chairman.

Senator MURKOWSKI. We welcome you to the hearing and look forward to your testimony.

STATEMENT OF PHILIP J. BURGUIERES, PRESIDENT AND CHIEF OPERATING OFFICER, CAMERON IRON WORKS, ON BEHALF OF THE NATIONAL OCEAN INDUSTRIES ASSOCIATION

Mr. BURGUIERES. As you mentioned, I am president of Cameron Iron Works in Houston, TX. We are a company that operates in over 70 countries throughout the world. Our major operation is in, the operations are in the State of Texas. We employ in excess of 7,000 people, and our major products are safety equipment such as blowout prevention equipment, subsea production equipment, and land production equipment for the oil and gas industry, and another major product line are high-strength parts that go into commercial and military jet engines and on such projects as the space shuttle.

I also serve as chairman of the National Ocean Industries Association, which is an association of over 450 member companies representing millions of jobs in the United States. It is an association related to the offshore petroleum development activities.

I would like to ask that a formal statement I have prepared be submitted for the record, and I would also like to ask that very recently, just in the last 3 days, report that the Ocean Industries Association has prepared on area-wide leasing which is relatively short, Senator, also be submitted for the record.

Senator MURKOWSKI. It will be entered into the record as if read.

Mr. BURGUIERES. Thank you. There are basically three issues I would like to touch on very briefly this morning, Senator. One is the whole subject of the dependence on oil imports in the United States.

The second is the impact of the moratoria on the economics of the industry I represent, most specifically jobs, and the third is the imbalance of OCS leasing that is currently occurring.

The first issue I will touch on very lightly is one that other members of this panel and Secretary Clark have spent some time addressing that issue, and that is the question of the trading balance in imports.

As you know, Senator, one third of our oil is presently imported from outside the United States. An interesting fact that hasn't come up this morning is that in excess of 50 percent of the oil used on the east coast of the United States is imported, so there is a large imbalance on the east coast versus the rest of the country with regard to imported oil, and of course I think these issues, there would appear to be generally agreement that these are issues which have a lot to do with the national security of our country.

On the impact of moratoriums on the economics of our industry, let me start by mentioning that we are very concerned about the action taken a week ago today by the House Interior Appropriations Committee where moratoriums on promising areas in southern and central and northern California were proposed, the George's Bank area, and as you know, large areas in the State of Alaska. These moratoriums have the potential to have a devastating impact on the oilfield service industry which is currently experiencing a serious recession.

My own company, Cameron Iron Works, now has 3,500 employees who have been laid off in the last 18 months. A significant amount of offshore equipment currently remains idle and thousands of people are unemployed. These include drilling crews, seamen, construction personnel, and all sorts of skilled and unskilled workers.

One real hope for these people is for the area-wide leasing concept to continue. A bright spot in this otherwise dim picture concerns one area of the Outer Continental Shelf, and that is the Gulf of Mexico where area-wide leases have for the most part been held on schedule. Currently there are 193 mobile offshore drilling rigs operating in the gulf, and this is a record. Sixty-nine of these drilling rigs are operating in areas awarded in Federal offshore lease sales in the last 12 months.

On the subject of regional imbalance, which is the third element I would like to speak to this morning, section 18 of the OCS Lands Act adopted by Congress in 1978 provides for an equitable sharing of the development benefits and environmental risks among the various regions. Currently there is a very decided imbalance; 97 percent of all wells drilled in the Federal offshore area have been drilled in the Gulf of Mexico. We are now dependent upon two or three States for the majority of our offshore oil and gas.

By way of contrast, 85 percent of the California OCS is now off limit to natural gas and oil leasing, a ban that could be extended for at least another year if actions taken last week by the House Interior Appropriations Subcommittee is allowed to stand.

These moratoriums threaten to perpetuate this existing imbalance.

That concludes my statement, Mr. Chairman. I would be happy to answer any questions you might have. Thank you.

[The prepared statement of Mr. Burguieres follows:]

STATEMENT
ON
LIMITATIONS ON OUTER CONTINENTAL SHELF LEASING ACTIVITIES OF THE UNITED STATES

PHILIP J. BURGUIERES
PRESIDENT & CHIEF OPERATING OFFICER
CAMERON IRON WORKS

On Behalf of the

NATIONAL OCEAN INDUSTRIES ASSOCIATION

Before The

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

Of The

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Washington, D.C.
June 26, 1984

Mr. Chairman and members of the Subcommittee, I am Philip Burguieres, President and Chief Operating Officer of Cameron Iron Works of Houston, Texas. My company is engaged primarily in the manufacture of high performance metal products used to drill for and produce oil and natural gas. We are also major suppliers of forgings for jet aircraft engines. Cameron employs some 7,000 people. Currently, we're geared up to move about $1 billion in product.

I am also Chairman of the National Ocean Industries Association (NOIA), on whose behalf I am testifying today. NOIA is a trade association with approximately 450 member companies involved in all aspects of the service and supply industries related to offshore petroleum resource development. These companies are located in almost every state.

The membership of NOIA is deeply disturbed by the action taken exactly one week ago by the House Appropriations Interior subcommittee in choosing to extend, for yet another year, a moratorium on leasing vast and promising areas of the Outer Continental Shelf. The lands placed under moratorium by that subcommittee's action include the Southern, Central and Northern California offshore areas, a substantial portion of the Georges Bank area and, for the first time, more than five million acres offshore Alaska.

The action of the House Appropriations Interior subcommittee is especially disturbing in view of the fact that the governors of California and Alaska are both on record as not favoring continuation or adoption of such moratoria.

It is our earnest hope that the members of the Senate Appropriations Interior Committee will -- as they did last year -- again decide not to place a moratorium on promising OCS land and that, this time, they will persuade their counterparts on the House side to eliminate the moratorium language.

Extension of the OCS moratoria for yet another year will continue to have a decided negative impact on the companies represented by NOIA. It will have other negative impacts as well.

This statement will cover three important -- and largely overlooked -- elements with respect to leasing activities on the Outer Continental Shelf. The elements are:

o one, the impact of moratoria on the economics of the petroleum service and supply industries; and

o two, the imbalance in the leasing of OCS areas for petroleum development; and

o three, the import dependence of the United States and what that could mean for future energy supplies and future energy shocks.

Economic Impact

First, the economic impact of OCS moratoria on the many service and supply companies represented by NOIA.

The moratoria are having a devastating impact on the oilfield service industry, which is experiencing one of the most serious recessions in its history. Currently, significant amounts of offshore equipment remain idle, and thousands of people who either make or man the equipment are unemployed. They include drilling crews, seamen, steelworkers, construction personnel and both skilled and unskilled workers. These people -- and the companies that have been forced to lay them off -- are looking to the five-year areawide leasing program. That program -- if it is allowed to move forward -- provides hope for people to leave the unemployment lines and hope for the service and supply companies to join in the nation's economic recovery.

Neither hope will be realized as long as the OCS moratoria are continued and extended, year after year.

The one bright spot in an otherwise dim picture concerns the one area of the OCS -- the Gulf of Mexico -- where area-wide lease sales have, for the most part, been held on schedule.

Currently, some 193 mobile offshore drilling rigs are operating in the Gulf -- a record. Sixty-nine of the rigs are drilling on acreage awarded in federal OCS lease sales held last year.

In my home state -- Texas -- the increase in drilling activity has been strikingly dramatic. A record 63 rigs are working now in offshore Texas waters -- twice as many as at the end of last year. The rising demand for supplies, equipment and services is especially welcomed, for Texas has been suffering economically as a result of two years of depressed rig activity, both onshore and offshore. The same is true for California and Louisiana.

The recent favorable economic impact from accelerated OCS leasing in Gulf waters is not limited just to our industry. It has had a positive impact on employment throughout the economy of

Texas. This is illustrated by data presented in recent testimony before a House subcommittee of the Texas legislature. The testimony indicated that, for every 10 jobs created in our industry, 8.8 jobs are generated in retail trade, 8 jobs in services, 6.8 jobs in education, 2.9 jobs in manufacturing, and 10.5 jobs in the other sectors of the economy.

The experience in Texas also demonstrates that the favorable economic impacts extend well beyond employment. Each 10 oilfield jobs that create the 37 other jobs have also brought about the following fiscal gains to the economy of Texas: $5,280,500 in gross receipts; $302,730 in federal state and local taxes; and $481,980 in wages. As the president of the Houston Chamber of Commerce has stated: "The level of offshore oil and gas production affects every school district, city hall and county courthouse in our area."

As encouraging as these trends are, our companies and our employees recognize that economic recovery in the oilfield service industry cannot be sustained if our efforts are restricted to one area -- the Gulf of Mexico. Our recovery and our future growth are dependent on the leasing and exploration of other areas of the OCS.

Regional Imbalance

The second element relates to the current and continuing imbalance in the development of OCS petroleum resources. Section 18 of the OCS Lands Act Amendements, adopted by the Congress in

1978, provides for "an equitable sharing of development benefits and environmental risks among the various regions."

Right now, there is a decided regional imbalance. To date, 97 percent of the wells drilled in the federal OCS have been drilled in the Gulf of Mexico. By way of contrast, some 85 percent of the California OCS is off limits to oil and natural gas leasing -- a ban that would be extended for at least one more year if the action taken last week by the House Appropriations Interior subcommittee is allowed to stand.

The five-year areawide lease plan, mandated by the Congress, sought to correct this imbalance. The moratoria threaten to perpetuate the imbalance. In short, the moratoria process legalizes the inequity.

Dependence on Imports

The moratoria also foreshadow future energy problems for our nation. It's been estimated that 68 percent of the OCS reserves located in the waters off Louisiana are now depleted. Unless the moratoria are lifted and the companies that drill for, supply and service the offshore effort are permitted to explore promising areas in federal waters off the East Coast, West Coast and Alaska, our dependence on oil imports -- with all its uncertainties -- will continue to grow.

Today, the United States is dependent on foreign oil for approximately one-third of our need for oil. That dependence has been growing in recent months. We now import the same percentage of our oil as we did at the start of the Arab oil embargo of

1973. That embargo, coupled with price and allocation controls imposed by the federal government, led to supply shortages, long gasoline lines, factory closings, depressed tourist businesses and soaring world oil prices.

Since last fall, imports have risen by some 12 percent. In May of this year, imported oil was 21.5 percent higher than for the same months in 1983.

These are disturbing trends for our economic and national security.

Fortunately, we have time to reverse that trend. Recent actions have provided us with the opportunity to reassess our energy position and to redirect our efforts.

Unlike the situation at the time of the Arab oil embargo, energy conservation has taken hold. Price and allocation controls on oil have been abolished, thanks to the actions of President Carter and President Reagan. The Strategic Petroleum Reserve, which did not exist at the time of the embargo, now contains more than 400 million barrels of oil. Production of U.S. oil has remained fairly constant over the last several years, rather than falling by some 300,000 barrels a day each year during the price-controlled 1970s. And the price of oil on the world market has declined by some $5.00 a barrel over the last couple of years.

These positive actions, plus the current worldwide surplus of productive capacity, have unfortunately created -- in this country -- a climate of complacency; a view that the periods of supply shortages are forever behind us. This view overlooks the fact that there is no surplus of domestic oil supplies. One of every three barrels of oil used in this country comes from foreign sources. And we are using up our domestic oil reserves faster than we are replenishing them through new discoveries. In fact, between 1970 and 1982, proved reserves of U.S. oil declined by 29 percent; proved reserves of U.S. natural gas dropped by 31 percent. At 1982 rates of production and consumption, these proved reserves represent no more than a 9.5-year supply of oil and an 11-year supply of natural gas.

Right now, more than three-fourths of the oil we will need in the year 2000 must still be found. Even before that date, we will have to find some 32 billion barrels of domestic oil over the next 10 years just to replace the oil we are using up. That volume of yet-undiscovered oil is more than today's proved reserves of oil.

These statistics are based on current levels of production and consumption. But consumption is again rising as the nation generally emerges from the recession of the early 1980s.

Recent projections indicate that demand will increase by approximately four percent a year. At that rate, the worldwide excess production capacity will disappear within five to ten years.

Even before that time arrives, events in the Middle East could trigger a sudden and sharp supply shortage for this country and for our friends and allies, many of whom are much more dependent on oil from the troubled Persian Gulf area. If the present struggle between Iran and Iraq were to spread, the spare productive capacity could vanish overnight. That would have a disastrous impact on our nation's economy and on our nation's security.

Oil is our principal energy source; it will continue to be so for well into the foreseeable future. For that reason, we cannot afford to be complacent. Instead, we should be seeking to take advantage of this period of surplus world productive capacity to shore up our own petroleum reserves. Government and industry experts estimate that more than one-half of America's undiscovered oil and natural gas reserves are thought to lie beneath the waters off our shores. However, it will take years to find and develop these new petroleum supplies -- as much as 10 to 15 years from lease sale to full production. Actions, such as the current OCS moratoria, which delay the search, will delay production in the 1990s and beyond. By that time, the worldwide productive surplus will have disappeared and domestic oil and gas -- to meet increased consumption -- will be urgently needed.

By that time, too, unless we move ahead now to develop our own vast petroleum resources, imported oil could again account for about one-half of our consumption nationwide. Even now, as Don R. Boling, vice president of Combustion Engineering's Oil and Gas Group and a fellow member of NOIA, recently pointed out in an article published in the Stamford, Connecticut Advocate, "more than one-half, 52.4 percent, to be exact, of the oil used by states along the East Coast comes from foreign sources." In presenting his company's opposition to OCS moratoria, Mr. Boling stressed in his timely article that actions by Congress "which would, year after year, impose moratoriums on leasing promising offshore lands will not reverse our substantial dependence on imported oil."

To the contrary, the OCS moratoria increase both our dependence on foreign oil and the risk of a future supply shortfall.

It is our hope that this Committee will exercise its authority to ensure that the Areawide OCS leasing program is permitted to move forward, and that, for the best interest of the nation and American consumers of energy, the moratoria on OCS leasing are eliminated.

Senator MURKOWSKI. Thank you very much, Mr. Burguieres. Our next witness will be Mr. Ronald C. Lassiter, president and chief executive officer of the Zapata Corp., Houston, TX.

Mr. Lassiter, we welcome you to the committee.

STATEMENT OF RONALD C. LASSITER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ZAPATA CORP. ON BEHALF OF THE INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS

Mr. LASSITER. Thank you very much. As you said, my name is Ronald C. Lassiter. I am president and chief executive officer of the Zapata Corp. from Houston, TX.

By way of explanation, Zapata is one of the largest of the international drilling contractors and supply operators in the world. I was very pleased to learn of your interest in offshore leasing because the issue vitally affects all of the 50 States, and clearly America needs your leadership in this critical area.

My colleagues were doing an excellent job this morning in making the point that exploration for the development of energy resources of the Outer Continental Shelf must go forward. The alternative obviously is for our Nation to become increasingly dependent on unreliable foreign suppliers for our energy needs.

They have also made the point that the offshore industry is a leading source of Federal revenues and a major employer. The more than 1,700 companies that belong to the International Association of Drilling Contractors provide literally tens of thousands of American jobs.

Furthermore, they provide those jobs in the interior of the Nation as well as along the coastline. I would like to confine the bulk of my comments today to a single topic. I would like to discuss the environmental impact of offshore activities. I am personally comfortable with the subject because Zapata Corp. is truly unique in the energy business.

On the one hand as I explained before, we operate one of the largest fleets of offshore drilling rigs in the world. On the other hand, however, Zapata also owns the largest commercial fishing business in terms of volume in the Western Hemisphere. This year alone we expect to catch between 800,000 and 900,000 tons of fish.

As a single company, Zapata will account for somewhere between 27 and 30 percent of all the fish and shellfish harvested in the United States during 1984. Our fishing operations represent a net investment in excess of $100 million, and I might add that while Zapata itself has been in the business since 1966, we purchased a company at that time which had been in the business for about 100 years.

At first glance you might think that the two businesses are mutually exclusive, but we really don't find any contradiction at all, in spite of the fact that we have been sometimes referred to as corporate schizophrenias. Fishing and offshore development have coexisted peacefully for decades in the Gulf of Mexico, not to mention the North Sea. In fact, it has been pretty well documented that the presence of offshore platforms actually enhances sport fishing because they serve as artificial reefs.

Zapata's years of experience in both offshore drilling and commercial fishing tells us there is a great deal of misunderstanding about the environmental hazards of offshore development.

First and foremost, I am sure you people think of oil spills. Let's look at the record. The last major spill in United States waters was the infamous Santa Barbara spill in 1969. During the decade of the seventies by contrast, oil lost from OCS blowouts totaled 791 barrels. That is about 1 barrel spilled for every 5 million barrels of oil produced.

The difference in my opinion is simply better technology and better trained people. Furthermore, there is a growing body of scientific data that shows that when petroleum is released into the ocean, it quickly biodegrades. One study, for example, shows that when oil hits water, the toxic parts evaporate and a week later 50 percent of what is left is gone.

Please don't misunderstand my point, however. Neither I nor anyone else in the oil industry wants to spill oil into the marine environment. It has been my own personal experience that oil companies make preventive measures their No. 1 priority. What I am saying is that through misunderstanding and in many cases in my opinion intentional misrepresentation, the dangers of petroleum to the marine environment have been considerably exaggerated.

The same is true with regard to drilling muds, well spoils, shooting seismic, laying pipeline and other functions that go alone with offshore development. Certainly there are localized environmental effects, but these are developments that are quickly forgotten by the ocean. They have not proven to be the cataclysmic events that many people have represented them to be.

The environmental record of the American offshore industry during the past decade has been an exemplary one. Unfortunately, this fact is often overlooked in the debate over whether to continue to prudently develop our Nation's Outer Continental Shelf.

I would like to thank you very much for providing the opportunity for me to make this point today. Thank you.

Senator MURKOWSKI. Thank you, Mr. Lassiter. Your entire statement will be entered into the record.

[The prepared statement of. Mr. Lassiter follows:]

"Offshore Drilling: A Sound Environmental Record"

Remarks by
RONALD C. LASSITER
President and Chief Executive Officer
Zapata Corporation
Houston, Texas

On Behalf of the
INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS

United States Senate
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY
Hearing on Outer Continental Shelf Leasing
SD-366 Dirksen Senate Office Building
Washington, D.C.

Tuesday, June 26, 1984

Distinguished members of the Subcommittee on Energy Conservation and Supply.

I was very pleased to learn of your interest in offshore leasing because this issue vitally effects all 50 states. America needs your leadership in this critical area.

My colleagues this morning have done an excellent job of making the point that exploration for and development of energy resources on the Outer Continental Shelf must go forward. The alternative is for our nation to become increasingly more dependent on unreliable foreign suppliers for our energy needs.

They have also made the point that the offshore industry is a leading source of federal revenues and a major employer. The more than 1,700 companies and subsidiaries that belong to the International Association of Drilling Contractors provide literally tens of thousands of American jobs. And they provide those jobs in the interior of the nation, as well as along the coasts.

I would like to confine the bulk of my remarks today to a single topic: the question of the environmental impact of offshore activities. I am comfortable with this subject because Zapata Corporation is a unique company. On the one hand, we operate one of the largest fleets of offshore drilling rigs in the world. But on the other, Zapata also owns the largest commerical fishing business in the Western Hemisphere.

This year, we expect to catch approximately 2.2 billion fish — about 700,000 tons. Zapata will account for somewhere between 27 and 30 percent of all the fish and shellfish harvested in the United States during 1984. Our fishing operations represent a $100 million investment, and I might add that we have been in the business since 1966.

At first glance, you might think these two businesses are mutually exclusive, but we do not find any contradiction at all. Fishing and offshore development have co-existed peacefully for decades in the Gulf of Mexico, not to mention the North Sea. In fact, it has been pretty well documented that the presence of offshore platforms actually enhances sportfishing because they serve as artificial reefs.

Zapata's years of experience in both offshore drilling and commerical fishing tells us there is a great deal of misunderstanding about the environmental hazards of offshore development. First and foremost, I am sure most people think of oil spills.

But let's look at the record. The last major spill in United States waters was the infamous Santa Barbara spill of 1969. During the decade of the '70s, by contrast, oil lost from OCS blowouts totaled 791 barrels. That is about one barrel spilled for every five million barrels produced. The difference is better technology and better trained people.

Furthermore, there is a growing body of scientific data that shows that when petroleum is released into the ocean it quickly biodegrades. One study for example, shows that when oil hits water the toxic parts evaporate, and a week later 50 percent of what is left is gone.

Please do not misunderstand the point I am trying to make. Neither I, nor anyone else in our business, wants to spill oil into the marine environment. Oil companies make preventative measures their number one priority.

What I am saying is that through misunderstanding — and, in many cases, intentional misrepresentation — the dangers of petroleum to the marine environment have been considerably exaggerated.

The same is true with regard to drilling muds, well spoils, shooting seismic, laying pipeline, and the other functions that go along with offshore development. Certainly, there are localized environmental effects. But these are temporary developments, quickly forgotten by the ocean — not the cataclysms they are often represented to be.

The environmental record of the American offshore industry during the past decade has been an exemplary one. Unfortunately, this fact is often ignored in the debate over whether to continue the prudent development of our nation's Outer Continental Shelf.

I want to thank you for providing the opportunity to make this point today.
Thank you.

Senator **Murkowski**. Our next witness is Mr. William Crain, general manager of exploration, western region, Chevon, U.S.A., representing the Western Oil & Gas Association.

We welcome you to the committee, Mr. Craine, and look forward to your testimony.

Mr. **Crain**. Thank you, Mr. Chairman, and my written testimony is being submitted; if you will allow, I would like to address——

Senator **Murkowski**. It will be entered into the record.

Mr. **Crain**. I would like to address a few of the specific items that came up in earlier testimony today that seemed to be of major concern.

Senator **Murkowski**. It would be most appropriate.

STATEMENT OF WILLIAM E. CRAIN, GENERAL MANAGER, EXPLORATION DEPARTMENT, WESTERN REGION, CHEVRON, U.S.A., INC., ON BEHALF OF THE WESTERN OIL & GAS ASSOCIATION

Mr. **Crain**. First of all, I would like to speak of Senator Wilson's main concern and with regard to Senator Cranston's comments on the scenic concerns.

Senator **Murkowski**. The what?

Mr. **Crain**. Scenic concerns; as I recall from his summary, under questioning by Senator Johnston, the bottom line sort of came down to his concerns about the scenic effect of offshore drilling, and with regard to that, it was certainly brought out in the testimony that there are only 10 or 12 rigs at the maximum every drilling off California or for that matter off the entire west coast, including Alaska, spread out over a distance of several thousand miles. You can see that it is hardly a forest of rigs, but I think more importantly, in the scenic aspect we should look at offshore rigs and drilling platforms as neither a scenic condition nor a nonscenic condition. It is a practical matter just as much as a bridge is to get somebody from one side of the river to the other.

The rigs are there to do a job, as well as a platform, and especially since their positions are well off shore, they are hardly visible from the shoreline.

The second was a statement that was made in regard to air quality which is a major concern in California, and the argument was made that one offshore rig is equivalent to 5,000 automobiles, and we hear that quite sensibly in California. Unfortunately, that comparison is made between diesel-operated rigs and gasoline-operated automobiles, and so there isn't a very clear mesh between the two.

More appropriately, since the rigs use diesel fuel, they should be compared to vehicles using diesel fuel, and on the average, they use about 75 barrels of diesel an hour, which is equivalent roughly to 10 diesel trucks or 10 to 17 diesel trucks moving down the highway, and for anybody on Highway 101 or 580, that wouldn't be a very significant increase.

The question was brought up about drilling muds and also the fact that there are extensive studies taking place. The Secretary of the Interior said there were four separate studies taking place today.

The most recent study that I have was made by the National Research Council which I would like to just make a few brief quotes out of that dealing directly with that question.

Senator **Murkowski**. Please proceed.

Mr. **Crain**. The title of the subject of—again—the research by the National Research Council was "Drilling Poses Minimal Risk to Marine Environment," and I quote from their study. The panel found that most of the drilling fluids used in OCS have low-acute androgenous toxicity to marine organisms. A further quote is natural oceanic turbulences generally reduce concentrations of the fluids by a factor of 10,000 or more within an hour. Toxicity tests indicate a few variants among marine organisms, and then finally that given these findings, and to summarize them, they state "given these findings, noting that the amount of particulates in the Gulf of Mexico caused by drilling fluids is only 1 percent of those carried by the Mississippi River, the panel found little reason for extensive further research on drilling discharges."

Other comments in here refer to the fact that OCS regulations prohibit the use of certain drilling rigs that may be toxic.

Finally, two other comments with regard to tankers by one of the Senators from California, most OCS sales now require pipelines to bring oil offshore.

As for tourism, tourism increased off Santa Barbara the year following the Santa Barbara spill and has increased ever since, and then finally the comment that there is not enough oil to be worth the trouble—the fact of the matter is that our oil in the United States today comes from 26,000 separate fields, and aside from Prudhoe Bay, there is no significant producer. Each field is as important as the next field.

We find that in terms of potential, the five northern basins off California offer some of the highest potential for oil and gas, and certainly the area off southern California which is adjacent to the Los Angeles basin which is one of the most prolific oil-producing basins in the world in terms of barrels per cubic mile produced, they have already produced 6 billion barrels.

With that, with those comments, sir, with regard to the questions and statements that came up earlier, I would like to submit to the record but I won't discuss it at this time our projection of the current supply and demand, something about lead time, and the declining oil production off California that came directly as a result of the moratorium imposed in 1969 by the State, and in 1969 a moratorium was imposed on State water when at that time they produced over 200,000 barrels a day. Since that moratorium has been in effect, the natural decline of oil fields being at about 10 to 15 percent each year, the State water production now has declined to 100 million barrels or 100,000 barrels a day—almost a twofold decline.

Thank you, sir.

[The prepared statement of Mr. Crain follows:]

STATEMENT OF
WILLIAM E. CRAIN
GENERAL MANAGER, EXPLORATION DEPARTMENT
WESTERN REGION
CHEVRON U.S.A. INC.

ON BEHALF OF

WESTERN OIL AND GAS ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY
OF THE ENERGY AND NATURAL RESOURCES COMMITTEE

UNITED STATES SENATE

JUNE 26, 1984
WASHINGTON, D.C.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, MY NAME IS BILL CRAIN, AND I AM A GEOLOGIST AND EXPLORATION MANAGER FOR THE WESTERN REGION OF CHEVRON. I AM ALSO CHEVRON'S REPRESENTATIVE ON THE EXPLORATION COMMITTEE OF THE WESTERN OIL AND GAS ASSOCIATION AND REPRESENT THE ASSOCIATION HERE TODAY.

THE ASSOCIATION'S MEMBERSHIP CONSISTS OF COMPANIES ENGAGED IN ALL ASPECTS OF THE PETROLEUM INDUSTRY IN CALIFORNIA, ARIZONA, NEVADA, OREGON, WASHINGTON, ALASKA, AND HAWAII. MANY OF THE ASSOCIATION's MEMBERS HAVE BEEN ACTIVE FOR YEARS IN OIL AND GAS EXPLORATION, PRODUCTION, AND LEASING ON THE FEDERAL OUTER CONTINENTAL SHELF AND THE SUBMERGED LANDS OF CALIFORNIA AND ALASKA.

OVER THE PAST SEVERAL MONTHS, REPRESENTATIVES OF OUR ASSOCIATION HAVE TESTIFIED BEFORE VARIOUS HOUSE SUBCOMMITTEES REGARDING THE MORATORIUMS BEING IMPOSED BY CONGRESS ON VAST AREAS OF THE OCS. OUR ASSOCIATION STRONGLY OPPOSES THESE MORATORIUMS WHICH HAVE BEEN ADOPTED WITH ONLY MINIMAL DISCUSSION REGARDING THE IMPACT ON JOBS, IMPORTS OF OIL AND GAS, THIS NATION'S DECLINING RESERVES, AND MOST SPECIFICALLY, ON THE ENERGY SECURITY OF THE UNITED STATES.

AS YOU KNOW, CONGRESS HAS BEEN IMPOSING ONE YEAR MORATORIUMS IN THE ANNUAL INTERIOR APPROPRIATIONS BILLS SINCE 1982. OVER THE PAST THREE YEARS, THESE SO-CALLED TEMPORARY MORATORIUMS HAVE GROWN FROM 700,000 ACRES TO SOME 52 MILLION ACRES IN 1984. THESE EXCLUSIONS NOW COVER SOME 85% OF THE OCS ALONG THE CALIFORNIA COAST AND INCLUDE SOME OF THE MOST PROMISING AREAS FOR FINDING NEW OIL AND GAS RESERVES.

THROUGH THESE ONE YEAR MORATORIUMS, CONGRESS IS THWARTING ITS OWN MANDATE BY SERIOUSLY LIMITING OFFSHORE EXPLORATION. THE RESULT IS THE UNITED STATES IS NOT DEVELOPING ITS OFFSHORE RESOURCES IN A TIMELY FASHION.

TODAY, OIL AND NATURAL GAS MAKE UP 69% OF THE ENERGY CONSUMED IN THE U.S., AND THAT PERCENTAGE IS UNLIKELY TO CHANGE IN THE FORESEEABLE FUTURE. WE ARE STILL IMPORTING ABOUT ONE THIRD OF THIS COUNTRY'S OIL REQUIREMENTS -- THE SAME LEVEL AS IN 1973 WHEN WE EXPERIENCED THE SHOCK OF AN ARAB EMBARGO. WHILE LESS OIL COMES FROM THE MIDDLE EAST TODAY, ANY WORLD SUPPLY INTERRUPTIONS WILL LIKELY BE FELT BY ALL NATIONS IN THE FREE WORLD BECAUSE OF THE TRADING, DEFENSE, AND ENERGY SHARING AGREEMENTS WE HAVE WITH OTHER COUNTRIES.

EVEN WITH LESS IMPORTS FROM THE MIDDLE EAST, OUR VULNERABILITY TO SUPPLY DISRUPTIONS IS INCREASING. EVERY YEAR, THE U.S. USES MORE OIL AND GAS THAN WE DISCOVER. IN THE NEXT TEN YEARS, SOME 32 BILLION BARRELS OF DOMESTIC CRUDE OIL WILL HAVE TO BE FOUND TO REPLACE WHAT WE WILL CONSUME DURING THIS PERIOD. THIS SITUATION MAKES THE OCS INCREASINGLY IMPORTANT. AT PRESENT, ONLY 12% OF ALL DOMESTIC CRUDE OIL AND 27% OF OUR NATURAL GAS COMES FROM OFFSHORE. HOWEVER, WE ESTIMATE THAT 60% OF THE FUTURE OIL DISCOVERIES AND 35% OF THE NATURAL GAS DISCOVERIES WILL COME FROM THE OCS.

THIS BRINGS ME TO A SUBJECT THAT IS VERY CRUCIAL IN DEVELOPING

OFFSHORE RESERVES -- THE TIME FACTOR. NEW PETROLEUM RESERVES DO NOT FLOW FROM A SPIGOT THAT CAN BE TURNED ON AT WILL. THE TIME FROM THE IDENTIFICATION OF AN OFFSHORE SALE AREA TO OIL PRODUCTION TAKES AT LEAST 11 YEARS. I WANT TO EMPHASIZE THAT THIS 11 YEAR LEAD TIME FROM LEASE SALE TO FIRST PRODUCTION IS THE FAST TRACK. MANY DISCOVERIES ON TRACTS LEASED 15 YEARS AGO IN THE SANTA BARBARA CHANNEL OFF CALIFORNIA ARE STILL AWAITING PERMITS FOR DEVELOPMENT DUE TO THE PAINSTAKING ENVIRONMENTAL REVIEW PROCESS.

SOME TRACTS OFF CALIFORNIA LEASED IN 1979 AND 1981 WILL NOT MAKE SIGNIFICANT CONTRIBUTIONS BEFORE 1990. NEW PRODUCTION FROM THESE TRACTS WILL PEAK IN THE MID 1990'S, AND THESE NEW FIELDS TOO WILL BEGIN TO DECLINE. NOW IS THE TIME WE NEED TO START WORK TO FIND THE OIL TO REPLACE THIS PRODUCTION. THE QUESTION IS -- WHERE DO WE GET THE OIL TO REPLACE IT?

BECAUSE OF THE MORATORIUMS IMPOSED ON THE OCS ALONG CALIFORNIA SEVERAL HIGH POTENTIAL DISCOVERY AREAS ARE CLOSED. THESE AREAS INCLUDE ALL OF THE INNER BASINS OF SOUTHERN CALIFORNIA. THESE BASINS ARE ADJACENT TO ONSHORE FIELDS WHICH CONTAINED ALMOST SIX BILLION BARRELS OF OIL. MOST OF THIS OIL HAS ALREADY BEEN PRODUCED, BUT THESE INNER BASINS OFF THE COAST COULD YIELD TWO BILLION OR MORE BARRELS OF OIL, ACCORDING TO U.S.G.S. ESTIMATES.

NORTH OF THE RECENT SANTA MARIA - POINT ARGUELLO DISCOVERIES, LEASING IS PROHIBITED IN AT LEAST FIVE SEDIMENTARY BASINS OFF THE

CALIFORNIA COAST. FOUR OF THESE BASINS CONTAIN ONE FORMATION THAT HAS PRODUCED ONE BILLION BARRELS OF OIL ONSHORE, BUT THIS FORMATION REMAINS UNTESTED OFFSHORE. U.S.G.S. ESTIMATES THAT THESE BASINS COULD YIELD FOUR BILLION BARRELS OR MORE OF OIL. BUT THEY REMAIN OFF LIMITS TO THE INDUSTRY'S EXPLORATION TEAMS.

IN ADDITION TO THESE MORATORIUMS, WE HAVE SEEN SCHEDULED LEASE SALES ON THE WEST COAST DELAYED -- AND TRIMMED CONSIDERABLY. ONE EXAMPLE IS LEASE SALE 80, ORIGINALLY SCHEDULED FOR EARLY THIS YEAR. THIS SALE OF OIL AND GAS LEASES IN FEDERAL WATERS BETWEEN THE MEXICAN BORDER AND POINT CONCEPTION IS NOW PLANNED FOR OCTOBER.

AFTER CONSULTING WITH STATE OFFICIALS, DEFENSE DEPARTMENT REPRESENTATIVES, AND OTHER INTERESTED PARTIES, THE DEPARTMENT OF INTERIOR REDUCED ACREAGE TO BE INCLUDED IN THIS SALE TO ONLY ONE-THIRD OF THE 11.6 MILLION ACRES ORIGINALLY IDENTIFIED FOR LEASING. INTERIOR SECRETARY WILLIAM CLARK HAS ALSO STATED THAT PLANS TO LEASE PORTIONS OF THE OCS OFF CENTRAL AND NORTHERN CALIFORNIA HAVE BEEN POSTPONED UNTIL AT LEAST 1987.

IT IS DIFFICULT TO UNDERSTAND HOW MORATORIUMS OR OTHER DELAYS IN OFFSHORE LEASING CAN BE JUSTIFIED IN VIEW OF THIS NATION'S CONTINUED RELIANCE ON OIL IMPORTS. WE ALSO DO NOT BELIEVE THESE DELAYS CAN BE JUSTIFIED ON THE BASIS THAT THEY REFLECT THE DESIRES OF CITIZENS IN EITHER INTERIOR OR COASTAL STATES.

CONTRARY TO WHAT YOU MAY BE HEARING, THERE IS GROWING SUPPORT FOR RESPONSIBLE OFFSHORE DEVELOPMENT WITH REASONABLE ENVIRONMENTAL SAFEGUARDS FROM PEOPLE THROUGHOUT THE NATION, PARTICULARLY IN CALIFORNIA. ACCORDING TO A 1983 PUBLIC OPINION SURVEY CONDUCTED IN CALIFORNIA BY V. LANCE TARRANCE AND ASSOCIATES, A MAJORITY OF 56% OF THOSE POLLED SAID THEY FAVOR DEVELOPMENT OF NEW OIL AND GAS FIELDS OFF THE COAST OF CALIFORNIA. ONLY 33% OPPOSED.

IN ANOTHER QUESTION, 57% AGREED WITH THE STATEMENT, "IT IS POSSIBLE TO PROTECT THE OCEANS AND BEACHES WHILE DRILLING FOR OIL AT THE SAME TIME." 33% DISAGREED.

I WOULD LIKE TO SUBMIT FOR THE RECORD A SUMMARY OF THIS OPINION SURVEY.

OVER THE PAST YEAR, A NUMBER OF CALIFORNIANS FROM DIVERSE SOCIOECONOMIC AND ETHNIC BACKGROUNDS HAVE TESTIFIED AT VARIOUS HOUSE SUBCOMMITTEE HEARINGS IN SUPPORT OF OFFSHORE DEVELOPMENT. THESE PEOPLE HAVE REPRESENTED A VARIETY OF ORGANIZATIONS FROM THROUGHOUT THE STATE, INCLUDING THE HOLLYWOOD/BEVERLY HILLS NAACP, CALIFORNIA HISPANIC CHAMBER OF COMMERCE, AND CALIFORNIA FARM BUREAU.

THIS GROWING SUPPORT FOR OCS DEVELOPMENT BY SUCH A WIDE SPECTRUM OF PEOPLE INDICATES -- TO ME AT LEAST -- A GROWING PUBLIC CONCERN. THIS STEMS FROM:

-- CONCERN FOR ECONOMIC RECOVERY AND JOBS FOR AMERICANS.

-- CONCERN FOR NATIONAL SECURITY, FOR WE STILL IMPORT ONE-THIRD OF OUR OIL.

-- CONCERN ABOUT THE EVER INCREASING FOREIGN TRADE DEFICIT, IN 1983 OIL IMPORTS COST $53 BILLION OF THE $70 BILLION DEFICIT.

ALL OF THESE CONCERNS COULD BE ALLEVIATED WITH A MORE ABUNDANT SUPPLY OF DOMESTIC ENERGY RESOURCES.

THOSE OF US WHO ARE DEEPLY CONCERNED ABOUT THIS NATION'S CONTINUING ENERGY PROBLEMS ARE ENCOURAGED BY RECENT EFFORTS BY THE SECRETARY OF INTERIOR TO FOSTER CONSTRUCTIVE COOPERATION BETWEEN THE STATE AND FEDERAL GOVERNMENT REGARDING OCS MATTERS. EARLIER THIS YEAR, SECRETARY CLARK DESCRIBED HIS NEW POLICY BY SAYING, "THE OUTER CONTINENTAL SHELF PROGRAM IS SO ESSENTIAL TO THE FUTURE OF AMERICA WE NEED NOT IMPOSE IT ON ANYONE. WE CAN WORK TOGETHER TO HARVEST THE RICHES OF THE SEA."

WE ARE ALSO ENCOURAGED BY A RECENT STATEMENT BY CALIFORNIA GOVERNOR GEORGE DEUKMEJIAN INDICATING THAT HE OPPOSES BLANKET OCS MORATORIUMS IN THE 1985 INTERIOR APPROPRIATIONS BILL. IN A LETTER TO CONGRESSMAN SID YATES, THE GOVERNOR SAID, "OCS DEVELOPMENT SHOULD PROCEED WHERE IT POSES NO THREAT TO SENSITIVE ENVIRONMENTS, WHERE IT APPEARS THAT THERE ARE PROSPECTS FOR THE RECOVERY OF SUFFICIENT QUANTITIES OF OIL AND GAS TO JUSTIFY ACCEPTING THE RISKS OF DRILLING, AND WHERE ADEQUATE STEPS ARE TAKEN DURING DRILLING TO PROTECT THE ENVIRONMENT."

IF WE EXPECT TO SERVE OUR NATION'S BEST INTERESTS BY FINDING AND DEVELOPING THE ENERGY RESOURCES THIS COUNTRY NEEDS TO STAY HEALTHY, WE MUST TAKE THE WORDS OF THESE OFFICIALS TO HEART.

THANK YOU.

* * *

6/21/84

Public Opinion Survey
on
California Offshore Oil Development

According to a recent public opinion survey by V. Lance Tarrance and Associates, most Californians support oil development off the California coast. The state-wide survey of 1,000 California voters was conducted between August 31 and September 2, 1983 for the Western Oil and Gas Association.

Following is a summary of the key findings of this survey:

-- A majority of 56% polled said they favor development of new oil and gas fields off the coast of California. About 37% opposed.

-- 57% agreed with the statement, "It is possible to protect the oceans and beaches while drilling for oil at the same time." 33% disagreed.

-- 54% believed the oil industry had maintained a good safety record in offshore operations over the last 10 years. 20% were unsure of the safety record, while 26% disagreed that the industry was going a good job.

-- 87% thought developing more U.S. energy is essential to reduce our dependence on foreign oil. More specifically, 55% believe that drilling should occur off the California coast to help solve the nation's energy problems.

* * *

3/22/84

Summary of Demographic Factors
Lance Tarrance Public Opinion Survey
California Offshore Oil Production

Question #16: One place where more oil and gas may be found is off the coast of California. In your opinion, do you favor or oppose the development of new oil and gas fields off the coast of California?

OVERALL RESULTS

Favor	56%
Oppose	37%

A) Sex	Favor	Oppose
Male	59%	37%
Female (Home)	57%	30%
Female (Employed)	51%	42%

B) Age Group	Favor	Oppose
Young Adults	51%	43%
Family Adults	51%	41%
Older Adults	65%	28%

C) Ethnic Group	Favor	Oppose
Black	66%	33%
Anglo	56%	37%
Asian	52%	36%
Hispanic	51%	43%
American Indian	78%	22%

D) Education	Favor	Oppose
Less than High School	64%	28%
High School Graduate	66%	27%
Some College	53%	40%
College Graduate	51%	42%

E) Employment	Favor	Oppose
Self-Employed	58%	38%
White Collar	50%	42%
Blue Collar	53%	39%
Government Worker	55%	40%
Other*	65%	27%

Farmer/Rancher
Not in Labor Force
Unemployed

F)	Labor Union	Favor	Oppose
	Union Family	53%	42%
	Non-Union Family	58%	35%

G)	Annual Income	Favor	Oppose
	Under $20,000	64%	28%
	$20,000 - $40,000	53%	39%
	Over $40,000	56%	38%

H)	Political Group	Favor	Oppose
	Republican	70%	22%
	Ticket-Splitter	56%	32%
	Conser. Democrat	49%	44%
	Mod/Lib. Democrat	41%	56%

I)	Region	Favor	Oppose
	Riverside-San Bern.	77%	18%
	Central Valley	72%	20%
	Orange County	69%	22%
	San Diego County	62%	34%
	L.A. County	60%	33%
	Sacramento	49%	42%
	South Coast	47%	49%
	San Francisco	47%	47%
	Bay Area	44%	50%
	Elsewhere-Including North Coast	41%	50%

* * *

Congressional Witnesses From California in Support of Offshore Oil Development

House Appropriations Subcommittee on Interior, June 14, 1983 Washington, D.C.

- Elaine Hale, agriculture consultant and former vice president, California Women for Agriculture
- Willis Edwards, president, Hollywood/Beverly Hills NAACP
- James Costa, California assemblyman
- Richard Long, president, Diving Unliminted, Inc., San Diego

House Interior and Insular Affairs Subcommittee on Mining and Forest Management, July 2, 1983, San Francisco, California

- Paul Owens, president, Ventura Chamber of Commerce, Ventura, California
- Paul Golis, Constituency for Public Awareness, Ventura, California
- Richard Long, president, Diving Unliminted, Inc., San Diego
- Willis Edwards, president, Hollywood/Beverly Hills NAACP
- Elaine Hale, agriculture consultant and former vice president, California Women for Agriculture
- Bill Russell, California Highway Users Federation
- Ted MacDonald, manager, City of Vallejo, Vallejo, California
- Robert Pile, Mendocino Community College
- Bill DuBoise, California Farm Bureau
- Winchell Hayward, Citizens for Adequate Energy
- Les Wlech, Anaheim Chamber of Commerce, Anaheim, California
- George Schweitzer, National Council of Senior Citizens
- Firmin Feuerborn, Santa Barbara and San Luis Obispo Building Construction Trades Council, AFLCIO
- Bob Clark, Crescent City Harbor Master, Crescent City, California

BAAW8415910

House Interior and Insular Affairs Subcommittee on Mining and Forest Management, September 20, 1983, Washington, D.C.

- Warren White, executive director, Tri-Agency Economic Development Authority, Crescent City
- George Schweitzer, field director, Southern California branch, National Council of Senior Citizens
- Robert Clarke, harbor master, Crescent City Harbor District, Crescent City California
- Margaret Cruz, former president, Mexican-American Political Association; former president, League of Latin American Citizens
- James Barroca, executive vice president, Greater Ventura Chamber of Commerce
- Firmin Feuerborn, executive secretary, Santa Barbara and San Luis Obispo Counties Building and Construction Trades Council (written testimony)

House Appropriations Subcommittee on Interior, February 22, 1984, Washington, D.C.

- Daniel Tabor, councilman, City of Inglewood, California
- Sergio Banuelos, president, California Hispanic Chamber of Commerce
- W. N. Dietzen, Jr., Rear Admiral, retired, U.S. Navy, San Diego
- Laverta Montgomery, city manager, City of Compton, California
- Earl Parmenter, commercial fisherman, member of Humboldt County Fish Marketing Association, Eureka, California
- Eli Sandoval, California State chairman, G.I. Forum
- Joseph Flynn, member of Board of Supervisors, El Dorado County, California (written testimony)

House Merchant Marine and Fisheries Subcommittee on the Panama Canal and OCS, June 12, 1984, Washington, D.C.

- Claire DaRe, Northern California Marine Association
- Sergio Banuelos, president, California Hispanic Chamber of Commerce
- Earl Parmenter, commercial fisherman, Eureka, California (written statement)
- Davis Rodgers, president, Watts Chapter, NAACP (written statement)

* * *

BAAW8415910

Senator MURKOWSKI. Thank you, Mr. Crain. Our next witness is Mr. Roger Herrera, manager of the Alaska exploration and lands, Sohio Alaska Petroleum Co.

Mr. Herrera has been out for a breath of fresh air, or else he brings a breath of fresh air, one of the two. It's a pleasure to welcome you, Mr. Herrera, to the witness table. We look forward to your testimony.

STATEMENT OF ROGER C. HERRERA, MANAGER, EXPLORATION AND LANDS, SOHIO ALASKA PETROLEUM CO., ON BEHALF OF THE ALASKA OIL & GAS ASSOCIATION

Mr. HERRERA. Thank you, Mr. Chairman. Today, Mr. Chairman, I am representing the opinions of the Alaska Oil & Gas Association, commonly referred to as AOGA.

If I may, I would like to submit the written testimony for the record and present a precis at this time.

Senator MURKOWSKI. The entire statement will be entered in the record.

Mr. HERRERA. Mr. Chairman, there has not been much discussion today of the importance of Alaska. Its importance to our present energy supplies is obvious, and well known to you, certainly albeit those supplies come from onshore Alaska, not OCS.

The importance of Alaska in the future I think is agreed to certainly by geologists and most people that are familiar, including the Government experts, with future potential provens as supreme. Most of our future supplies of oil and gas will probably come from the OCS areas surrounding Alaska.

Given that fact, I think it is worth looking at the potential of Alaska and what effect moratoriums on Alaska sale areas might have.

First of all, we have to remember always that to develop any oil in Alaska from the date of discovery to first production takes on the order of 10 to 13 years. We, the industry, have found it very difficult to shorten that time period. That is a significant time especially if you compare it with the example of the North Sea and specifically in reference to Bristol Bay.

I think the North Sea is a good comparison. Bristol Bay is largely an ice-free area with similar physical conditions to the North Sea, similar biological conditions to the North Sea. The value of the harvest is conceded, the fish harvest in particular, and therefore when we look at the fact that in the North Sea, the 25 producing oilfields in that region—this is the British sector alone—have from discovery to production taken 5 years as against our 10 to 13, I think we should take note that not all is as it should be perhaps in Alaska, especially given the circumstances that the value of the fish resources in the North Sea, the eatable fish exceeds by an order of magnitude the value of fish resources we get out of Bristol Bay.

Furthermore, in regard to the comparison of the North Sea with Bristol Bay, that area was first put on the OCS leasing schedule in 1973. It is yet to be leased. During a 10-year period of time, the reserves in the British sector went from zero barrels of oil to 12 billion barrels of oil, and during that period of time we have not even begun the first step of exploration in the Bristol Bay area. It is perhaps worthy of comment to mention that the reserves in Bristol Bay are unknown and they will remain unknown until we have the opportunity of drilling wells.

In the Alaska area in toto onshore and offshore last year, there were only 13 exploratory wells drilled compared with the OCS area of the British sector of the North Sea. This record leaves a lot to be desired; 129 exploratory wells were drilled in the British offshore. We clearly cannot afford to put further roadblocks in the way of exploration on the Alaska OCS if our perception of its value in the future is correct. We have to be allowed to prove that perception, and establishing moratorium on any of the sale areas in Alaska would not help in that direction.

Mr. Chairman, I would like to make one brief comment on the coastal zone management situation.

There is a move afoot to change the law on coastal zone management, and the position of AOGA is quite clear. Certainly specific to the Alaskan arena in this regard, we believe that due to the, if only due to the fact that in Alaska much of the decisionmaking ability which the state has has been passed to local districts, for example, in the coastal area, that it would be completely improper for such local districts, sometimes with populations measured just in the thousands of people, to make decisions concerning the OCS resources of the Nation which will represent our future energy source.

Irrespective of the knowledge of those people, they should not be in a position to determine future exploration and production from such a valuable area.

Basically that is the thrust of the AOGA testimony, Mr. Chairman, and I would simply like to end with a plea that specifically in the Bristol Bay area, the concept of looking at the whole data base of scientific knowledge which has been obtained from that region over the past 15 years should be reestablished as a reasonable one. Data gaps which are often cited as an added reason for further delay in that region can never be assessed as to their importance until a whole synthesis of data is established. I think such a synthesis would show very clearly that there is a tremendous amount of information on the resources of that region which would probably indicate that the compatibility of oil exploration and the other values of that region can be clearly established.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Herrera follows:]

ALASKA OIL AND GAS ASSOCIATION TESTIMONY BEFORE THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

WASHINGTON, D.C.

June 26, 1984

Mr. Chairman and Members of the Subcommittee, my name is Roger Herrera. I am Manager of Exploration and Lands for Sohio Alaska Petroleum Company. Today, however, I am representing the Alaska Oil and Gas Association (AOGA). AOGA is a trade association whose member companies account for the majority of oil and gas production and transportation activities in Alaska.

AOGA appreciates this opportunity to provide comments on the need for a reliable and stable 5-year leasing schedule. AOGA's comments are specific to Alaska's Outer Continental Shelf oil and gas activities and the role the Minerals Management Service of the Department of the Interior plays in organization, control and oversight of development in the OCS.

It is necessary to recognize that Alaska's offshore oil and gas potential is unique and probably of greater importance to our future domestic oil supply than any other region in North America. The reason for this importance is a function of both size and geology. The outer continental shelf adjacent to Alaska represents 74% of the total area of U.S. offshore lands and much of it has good theoretical oil and gas potential. Today Alaska produces 18% of U.S. domestic oil production from onshore and offshore fields. Most of that comes from the giant Prudhoe Bay field which produces more oil on a daily basis than the whole of the nation of Canada. The favorable geology of Prudhoe Bay on the North Slope continues northward into the Beaufort Sea, and it is for this reason that the Diapir OCS sale area in the Beaufort has received so much attention from oil explorers. It has the potential, as do other sedimentary basins on the Alaska OCS, of containing giant oilfields, which, while not necessarily as large as the Prudhoe field, nevertheless would represent major additions to our domestic oil reserves. The probability of finding giant oil fields in Alaska is good. Over the past 25 years 1 exploratory well in every 40 drilled in the state has resulted in the discovery of a commercial oil field. While this discovery rate in itself is not an outstanding record, when one considers the mean size of the commercial oil field discovered in Alaska, the figures are truly exceptional. Alaska's mean commercial discovery well finds 825 million barrels of recoverable oil. This compares with 1 well in 50 in the lower 48 states which discovers 1 million barrels of recoverable oil. Even if one removes the Prudhoe Bay field from the statistical calculation, the resultant figure is still 130 million barrels of recoverable Alaskan oil per discovery. These figures clearly explain why the oil industry and the MMS are so optimistic about the oil prospects of the Alaskan OCS.

This optimism has been translated into responsible action both by MMS and industry. The federal government has made available 40.3 million acres of OCS Alaskan lands for lease since the program began 14 years ago, and industry has leased 3.76 million acres in 9 sale areas. This total effort of lease acquisition and exploration has resulted in industry expenditures of approximately 6.5 billion dollars, and 6 stratigraphic wells and 24 exploration wells have been drilled. The whole exploration effort is obviously in its initial phase, and much more drilling remains to be done before discoveries can be expected and before the theoretical potential of the Alaskan OCS can be determined and hopefully translated into commercial reality.

For its part the Mineral Management Service has carried out its mandate established by Congress, the Department of Energy and Department of Interior in an exemplary fashion. While the lease sale process has been challenged on numerous occasions by special interest groups, to date the preparations and procedures used by the MMS for Alaska sales have withstood these legal challenges. More important is the fact that the resulting exploration in extremely hostile environments, such as the Beaufort Sea and the Gulf of Alaska, has been environmentally and operationally safe. The MMS has achieved a balance of national energy interest with social and environmental goals by maintaining a fair and professional attitude and by making decisions logically and timely.

The technological expertise and commitment to safety practiced by the oil industry has resulted in the recognition that OCS exploration drilling can have positive impacts rather than negative effects. The 12 wells drilled in the Gulf of Alaska offshore province supports this fact. The local population has benefited by this activity with jobs, learned skills, and improvements to existing facilities. Also, the Native regional corporations are owners/operators and joint-venture partners in support industries such as catering, security, surveying, transportation and construction. Native regional corporations have joined with the oil industry in offshore exploration, and are owners of drilling rigs specially designed for arctic offshore work. A support industry of hundreds of Alaska businesses employing thousands of Alaskans has developed in Alaska and is dependent on a healthy oil exploration and development climate.

The presence of additional life support systems at drilling rigs in Alaskan waters has benefited fishermen and others. Helicopters and large vessels with rescue capability are located in the area of rigs along with communications and medical facilities. In an otherwise large empty expanse of ocean, fishermen have reassurance of a safe harbor only minutes or hours away, instead of days in many cases. Several life saving rescues have been made by boats and helicopters under contract to drilling rigs.

A continuing effort has been made over the past several years to inform residents of OCS coastal areas in Alaska of the nature of drilling and production activities. This educational effort, organized by individual oil companies and AOGA, has been aided by separate MMS village meetings which have explained the OCS leasing process from the federal point of view. In addition an Oil-Fisheries Group has been established to achieve better communication and to resolve potential conflicts between the two industries. This group is in its infancy, but it already has as members all the major fishing, fish processing and marketing organizations active in Alaska together with most of the larger oil companies and geophysical contractors.

All these efforts are aimed at improving the social acceptability and safety of Alaskan offshore exploration and development. However, this result will be greatly influenced by future federal government policies. Offshore exploration in Alaska is so expensive and fraught with commercial risk (e.g. Mukluk) that it must be carried out in the most logical, and efficient way possible. In order to achieve an efficient program for exploration and development of Alaska OCS hydrocarbon resources, we need a reliable federal leasing program.

The 5-year OCS lease sale schedule has been the subject of constant review and revision but it remains a reliable and established planning tool for industry. Only if that reliability is maintained can industry justify the huge expenditures that the exploration of the Alaska OCS mandates. The current schedule shows 11 sales for Alaska through June of 1987, several of which will be reofferings from previously leased areas. However, included in these sales will be new, unexplored acreage in the Beaufort Sea (Diapir 87) and Bristol Bay (North Aleutian Shelf 92). Each of these areas has the potential of containing giant oil fields so necessary to our energy future.

There is no doubt that the Alaska OCS office of the MMS and the oil industry have the capabilities, respectively, of administering and operating those areas with safety and to the benefit of the nation. It is reasonable, therefore, to ask that they be allowed to carry out these important activities by retaining a reliable OCS lease sale schedule without threat of sale moratoria.

In summary, the OCS leasing system is working well in Alaska, exploration is taking place, environmental studies are being carried out, and protective regulations and stipulations are being strictly enforced and observed. Regular meetings are taking place between AOGA and Governor Sheffield to discuss the State's concerns and great efforts are ongoing to foster good relations and understanding with Native groups, coastal communities and fishing organizations.

In closing, it is worth repeating that the energy potential of Alaska is vital to this nation's future energy needs. To realize the potential that the Alaskan OCS holds, it is necessary that there be continued funding for the MMS OCS work, at an adequate level and without interruption. It is also critical for planning and continuity purposes that the lease sale schedule be left as it presently exists. Random deletions of sale areas through moratoria would be extremely detrimental to the recognized need to provide a stable and adequate energy supply for this nation's future needs.

I appreciate this opportunity to present AOGA's testimony and thank you for your attention.

Senator MURKOWSKI. Thank you, Mr. Herrera. I wonder if any member of the panel would care to reflect on the reality of what this hearing specifically represents through the proposed coastal zone management legislation as introduced by Senator Packwood in S. 2324, an expression of concern on how the States can participate in the destiny associated with OCS development off their coastal areas, and the reassurance that their traditional lifestyles or associated resource, whether it be fisheries or some other resource, somehow be protected so that we have a situation of mutual compatibility here, a mutual trust?

The alternative to that is extended litigation as we have seen in the past.

My specific question is, since we seem to have diametrically opposed forces at work here, how can we ensure that the other point of view is recognized and protected, or are we faced with the realism of going down being constantly at odds with the necessity of our Nation achieving a reasonable degree of energy independence by the necessity of exploration in our OCS areas? And my dilemma that I ask you to reflect on is can you, in view of the testimony of our Secretary of the Interior who suggested that he felt it would be in order to have the Presidential veto on this legislation because it takes the authority away from the Federal Government and put the veto power within the State, so as a consequence we are at this loggerhead, and you gentlemen are in the business and have the responsibility of making it work within the law.

How would you suggest that we might reflect upon these valid concerns, considering the testimony from the two Senators from California? They represent the people, the State of California—certainly not all the points of view, but their political realities associated with their stand; the Senator from Florida.

How do you suggest we can do a better job of protecting those interests and still get on with the realities of that this Nation is not energy independent?

Mr. PITCHER. I will take a shot at that. We encourage dialog. We spend just as much time with the State as we do with the Federal Government, and we encourage dialog between the Interior Department and the States.

We are concerned that in California and Florida there seems to be a view in the State that the industry is incompatible with the State issues. We don't think so, and we hope that the dialog between us and the States can resolve some of those problems.

We see moratoriums eroding both the onshore and the offshore at an alarming rate, and if this isn't somehow stopped by hopefully dialog, then it will shut down the OCS.

We would like to see the Interior get together with the Governor of Texas and Louisiana and talk about those issues mainly being those that are holding up those dialogs.

Senator MURKOWSKI. Let me ask you this. Do you think that there is sufficient motivation based on the idea of OCS revenue-sharing which has been discussed extensively as a motivating force to encourage the States to support OCS sales in an orderly manner by ensuring the protection of the State's interest plus the reality of the monetary sharing that would come from realistic OCS revenue sharing programs?

Mr. **Pitcher**. My own view, and I will defer to the rest of the panel, is that is true in Louisiana and Texas, and those moneys are in escrow and releasing those moneys is the question.

I doubt that is the motivation required in Florida. I doubt in California.

Senator **Murkowski**. I am speaking, asking about revenue sharing.

Mr. **Pitcher**. Yes; I doubt those two States would be motivated by that release, or excuse me, by those moneys. They would be in Louisiana and Texas.

Mr. **Burguieres**. Senator, I have sat through in the last couple of years a number of similar hearings, and I have been to numerous meetings with all parties concerned as chairman of the National Fishing Industries Association, and I feel very confident that on a factual basis, we can bring credible evidence from independent resources that drilling offshore and development offshore is safe, safe for the fish.

The drilling mud issue is an issue which I think again independent credible evidence can be brought to bear that it shouldn't be an issue.

Pollution, we have drilling rigs now that basically operate effectively with zero pollution. We have drilling rigs that even capture rainwater that falls on them and don't allow the rainwater to discharge into the gulf or the Pacific Ocean, and I think Senator Johnston asked a number of witnesses to please present him with evidence that there was some damage to the fisheries, so possibly it is an underlying problem with regard to either, as Senator Weicker said, a fear of the unknown which I believe an education process is necessary to help alleviate, and certainly we in the National Ocean Industries Association are doing everything we can on a State-by-State basis in this education process.

Alternatively, I have hit upon what could very well be a very serious problem; 8(g) money in Louisiana and Texas have become very important, and I think revenue sharing in Alaska, California, Massachusetts may very well be what is necessary to move along on this issue, and my personal belief which has developed over the last couple of years is that both settlement of the 8(g) issue and some sort of process of revenue sharing would facilitate this entire matter.

Senator **Murkowski**. Thank you. We are very short on time, and I just want to give the remaining witnesses an opportunity to quickly respond in just a very few words if you are so inclined.

Mr. **Lassiter**. Sure; as a major drilling contractor, and taking off my Contract Drillers Association hat and putting on the Zapata Corp. hat for a moment, we are very much disposed toward the revenue sharing idea. If you look at new areas for exploration, it is clear that individual States will have incremental facility costs or infrastructure costs to help support our operations.

You might make the argument from a macroeconomic point of view I suppose that the jobs that are provided in that area would give them some sort of return on their investment, but we believe that if you look carefully at major exploration in the State, that had to come afterward, that in Alaska, California, places like that, that the docking facilities, the roads, all those things that we require to operate from administratively and logistically to the rigs offshore, will actually cost the State cash money, and basic equity it seems to me requires that in some fashion the State get some sort of a recompensation from the revenues of the OCS.

Senator MURKOWSKI. Any other comments?

Mr. CRAIN. Yes; in terms of the dilemma that you referred to, first, as you well know, Secretary Clark is making great strides toward resolving the issues between the States, and we in the industry applaud that.

Senator MURKOWSKI. Yes.

Mr. CRAIN. I find it somewhat disconcerting because in the polls that I look at in California which is sort of the hotbed of operations or support for moratoriums would be another way of putting it, we find that the majority are in favor of OCS drilling and exploration, so I personally find it difficult to see why there is so much opposition aside from the fact that it obviously comes from a group of constituents generally along the coastline that would be most immediately impacted.

Senator MURKOWSKI. It would be interesting if you submitted that information for the record.

Mr. CRAIN. It is at the end of my testimony. That has been submitted, the polls and the support groups that come in favor or opposed to OCS moratoriums. It is a local issue in a very real sense.

Each of the areas that we go into, and we are extensively going into these areas trying to educate people, they usually say that I am in favor of offshore drilling, but do it down the coastline or do it somewhere else, and of course, the cumulative impact of each of these conditions set off, almost set aside almost the entire west coast, not just 85 percent of California, but the entire offshore. Washington, Oregon isn't even on the lease-sale schedule, so I think the educational process is important. Revenue sharing is important.

Probably overriding all of it, we must take a national view as to the need for continued energy supplies in the United States.

Senator MURKOWSKI. Thank you.

Mr. HERRERA. Mr. Chairman, in Alaska, I think revenue sharing is probably a positive proposal, especially if most of the money goes to the coastal regions. They are the people. The people living in the coastal area are the ones with the greatest concerns and fears.

However, having said that, it is our experience in Alaska that the one way to dispel fears and gain support for OCS activities is to allow it to take place. An example, in the Gulf of Alaska where there was tremendous opposition to OCS drilling, this is pertinent because after drilling took place, the local people realized that the fears were much less of concern than the actual reality of the situation.

Senator MURKOWSKI. Thank you. Senator Weicker, do you have any questions?

Senator WEICKER. No.

Senator MURKOWSKI. I would excuse the panel, and Senator Weicker will be chairing the rest of the hearing.

Senator WEICKER [presiding]. The last panel consists of Mr. John Paul Jones, vice president of Bering Sea Fisherman's Association; Ms. Emily Bateson, Conservation Law Foundation of New England;

Ms. Lia Speer, Natural Resources Defense Council; and Ms. Elizabeth Raisbeck, Friends of the Earth.

I want to get the panel going right away. Unfortunately, matters have extended themselves beyond the point that we thought they would, and I want to apologize for the fact that I had forgotten how long my colleagues can talk, and I should have cut them all off at the beginning of the hearing and given you people the time instead, but it happened and it is my fault being the Chair, so let's get right down to brass tacks.

Everybody's statement will be included in its entirety in the record, and we will proceed in the order that I indicated. Now Mr. Jones or who is representing—Mr. Jones. Fine.

STATEMENT OF JOHN PAUL JONES, VICE PRESIDENT, BERING SEA FISHERMAN'S ASSOCIATION, ON BEHALF OF THE UNITED FISHERMEN OF ALASKA

[Mr. Jones made some comments in the Chupik language.]

Mr. Jones. I am John Paul Jones. I live in Cleve, AK, a village of 500 people on the Bering Sea coast. I am the vice president of the Bering Sea Fishermen's Association which qualifies me to be here in front of you today, but what would qualify me more to be in front of you is the fact that I am a commercial fisherman and a subsistence fisherman, and I am representing the United Fisherman of Alaska.

UFA is a statewide organization of local fishermen associations, permitholders, and crewmembers consisting of 1,500 individual members and about 20 organization members. Our members are businessmen who depend on the sea for their livelihood.

Fishing is an important part of the economy of the Bering Sea region. It is especially for small villages like Cleve Village that depend upon fishing for their income, and they also rely on fish, birds, and marine mammals for their subsistence, their traditional way of life. In a community with 85 percent unemployment, subsistence hunting and fishing obviously is important.

I have come here from my fish camp on the Black River to talk to you today about the OCS problem in Alaska, specifically Bristol Bay. Let me tell you about Bristol Bay. My written testimony identifies the species, animals, and the number of them in this area in great detail, but we are talking about an area that is the most productive fishery water fowl and marine mammal area in our entire U.S. OCS, if not the world. This includes millions of migrating waterfowl, 30 or 40 million adult salmon, hundreds and millions of salmon spawning, hundreds of millions of pounds of bottom fish. Nearly all the North Pacific halibut come from these areas which is their nursery ground during their juvenile stage.

Hundreds of millions of dollars of fish are taken out of these waters every year. Interior originally evaluated 18 planning areas in the current 5-year schedule for such things as oil potential and economic value of OCS production. The originally proposed Bristol Bay area was close to the bottom of all the areas in each category. We are being placed in an impossible situation. We are being asked to accept an activity in the most fertile fishery in the Nation without a clear understanding of the urgency for that particular sale.

We have strong feelings about the Government, that the Government is rushing to sell or lease these particularly valuable areas before we have had adequate knowledge and protection.

This is particularly true in light of the fact that over 90 million acres are proposed for sale in 1985 elsewhere in Alaska OCS.

What is the urgency in leasing vastly rich fish and wildlife areas of Bristol Bay? As you know, we have been trying to delay Bristol Bay lease sale so that critical studies can be done before leasing takes place. Because these studies have not been done, we feel that the lease sale should not be scheduled for Bristol Bay at this time.

Generally we do not believe that congressional moratoriums are the best way to formulate national policy. We prefer to see these problems resolved in a reasonable manner, but when negotiations do not work, moratoriums are the avenue of last recourse. It is the only way we have to protect our resources.

UFA did not begin its efforts to obtain delays in leasing in Bristol Bay with requesting Congress to impose a delay. IFA and its member groups, and Bering Sea Fishermen's Association, and the Bristol Bay Herring Marketing Co-op have been involved for years in Alaska trying to develop a more rational balance between offshore oil development and protection of our renewable resources. We have participated in negotiations over a number of 5-year OCS plans. We have worked with our Governor and our congressional delegation to make certain changes in this schedule.

We have asked for delays to conduct appropriate field work before leasing. Though a long series of discussions have made some changes, but in the area of greatest Interest to us—Bristol Bay—interior continues to push for leasing. Thus it seems to us the issue of moratoriums on leasing in Bristol Bay comes about because of a failure in the process of negotiating out the areas where further work needs to be done in order to protect our resources.

Do not get us wrong. We are pleased by the news that Secretary Clark will reschedule the Bristol Bay sale beyond the fiscal year for which moratoriums in the House appropriations bill would cover. We are still concerned that there will not be enough time to do adequate field studies before the sale in November 1985.

Senator **Weicker**. I have to point out to the witnesses that the hearing will conclude promptly at 5 after 1, and I just want to make sure that everybody has an opportunity to say something, so please, all statements will be included in their entirety.

Mr. **Jones**. I am not going to be long. Secretary Clark's delay only gives one short season to do these studies.

Incidentally, our request for a 10-year delay which was based on the significance of the Bristol Bay area for fish, waterfowl and marine mammals, was the same delay period recommended by joint Interior/State draft management plan for Bristol Bay. This plan calls for delay on State leasing in State waters for at least 10 years, and in some areas of the bay, indefinitely.

We are pleased that Secretary Clark at this time recognizes the basis for our concerns and seems to want to keep the door of discussion open. We are looking forward to an opportunity to work with Secretary Clark to develop a studies plan which addresses our problems.

Secretary Clark is to be congratulated for recognizing that additional delays may be warranted based on data gaps.

Due to the limit of time, I can only refer to you our testimony on the proposed sale in St. George's Basin. Basically we are concerned that such a large area will be offered without adequate time to evaluate what has already been leased.

That concludes my testimony. Thank you very much.

[The prepared statement of Mr. Jones follows:]

TESTIMONY OF

UNITED FISHERMEN OF ALASKA

JUNEAU, ALASKA

Regarding Moratoria Affecting

Oil and Gas Leasing

On the Outer Continental Shelf

Presented By

JOHN PAUL JONES

VICE PRESIDENT
Bering Sea Fishermen's Association
Chevak, Alaska

BEFORE THE

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

SENATE COMMITTEE ON ENERGY

AND NATURAL RESOURCES

Washington, D.C.

June 26, 1984

I am John Paul Jones, Vice President of the Bering Sea Fishermen's Association, representing the United Fishermen of Alaska (UFA). The UFA's main offices are located at 319 Seward Street, Suite 208, Juneau, Alaska 99801-1188. UFA is a private, non-profit, statewide organization for local fishermen's associations, permit holders and crew members, consisting of some 1,500 individual members, and 20 member organizations. UFA has been active on specific national fishing legislation since its creation in 1972 and has recently expanded its efforts on the national level to increase public awareness of the importance of commercial fishing to the nation. Today it is our privilege to provide our thoughts on moratoria on OCS lease sales, and their impact on OCS leasing in general.

UFA and a number of its member groups, such as Bering Sea Fishermen's Association, Bristol Bay Herring Marketing Co-op, and Western Alaska Cooperative Marketing Association, have been early and vocal participants in the debate in Alaska over developing a more rational balance between offshore oil development and protection of Alaska's renewable resources. We have participated in the negotiations over a number of five year plans enunciated by a number of Secretaries of the Interior. With regard to the most current five year schedule for Alaska, as enunciated by Secretary Clark in March of this year, we have worked with Governor Sheffield and our

Congressional delegation to seek certain specific accommodations. In essence, we have been asked to look at a lease schedule which originally contemplated leasing the entire coastline of Alaska. Through a long series of discussions major changes have occured. For that we are thankful, in large part to the efforts of our delegation. However, a number of major problems still exist with regard to the schedule for Alaska. Those problems relate to the other resource values potentially affected by the leasing proposal, the ability of the industry to pursue adequately the amount of acreage that will be made available, and the ability of local areas and users of other resources to adjust to the potential dramatic changes which can occur from leasing and consequent oil and gas activities.

With regard to Secretary Clark's most recent proposal for OCS leasing in Alaska, UFA sees three major defects that need to be remedied:

1. North Aleutian Shelf. Secretary Clark's decision in March to retain for leasing in the North Aleutian Shelf area some 17% of the originally proposed leasing area and to delay the sale an additional few months does not in and of itself provide adequate protection for Bering Sea fisheries and subsistence resources, and other major national resources. The proposal calls for leasing in the most critical part of the

Basin. While greater detail will be provided later in the text, generally the Aleutian passes are crucial migratory corridors for fish and wildlife moving to areas throughout western Alaska. The lagoons on the north side of the Alaska Peninsula are critical nesting, spawning, and molting areas for birds and fish. The oceanographic relationship between the Cold Bay area and Bristol Bay proper is not well understood at this time. Impacts on marine mammal populations and some fish migrations are possible. Also, the timing of the sale does not permit the planning and information dissemination efforts necessary to build the consensus for leasing which is necessary prior to leasing in this area. Consequently, we have supported our governor's initial request for a ten year delay in leasing acreage in Bristol Bay, and, since Secretary Clark's March announcement, have requested our delegation to obtain at least a three year delay, as proposed earlier by Congressman Young. That period of delay would provide time to conduct appropriate studies as discussed later.

It should be noted at this point that strong evidence exists in favor of delays with the specific purposes of conducting substantial field work. The recently released federal-State draft management plan for Bristol Bay recommends a ten year delay in the leasing of state tide and submerged lands (the study did not include analysis of or recommendations on OCS leasing). The reason given was to provide further time to develop a better picture of the oil and gas potential, and to develop better technology to protect the fisheries resources. The report recommends that at the end of ten years, some areas can be leased, others should not be.

There are indications that further concessions from Interior may be forthcoming because of the continuous efforts of our delegation at the request of groups such as UFA and by virtue of the House Interior Appropriations Subcommittee action recently (to adopt a moratorium on leasing in Bristol Bay during the next fiscal year). Any such concessions should be based on an acknowledgement of the substantive resource values of Bristol Bay, the need for further field work before scheduling a sale (and acknowledging that the results of such field work and evaluation of existing information should be seriously considered in whether to proceed with a sale), and on the fact that substantial other acreage is already under lease or proposed for sale which should be pursued before leasing in this resource-rich area.

2) Diapir Field. Certain western and deep-water tracts of concern to the State and local residents were deleted from the proposed Diapir Field Sale 87 by Secretary Clark. However, his decision did not address problems with tracts east of Barrow and east of Kaktovik. There, technologically feasible oil and gas activity most severely conflicts with other

resource values. As well, the prelimary notice of sale for the Diapir area proposed a relaxed seasonal drilling restriction. A compromise proposal to permit leasing of tracts east of Barrow, subject to appropriate onshore or offshore stipulations, and to defer for two years leasing of tracts east of Kaktovik, was rejected by Interior. We hope current discussions between representatives of the State, the North Slope Borough, and the Interior Department will result in satisfactory resolution of these issues.

3) St. George Basin. Interior did not adopt the State position, endorsed by UFA, to delay the next St. George Basin sale for two years beyond the award of leases in the first sale. A meaningful delay in that sale is still needed. Industry will have only one short drilling season before the next sale. We have all read recently how intense the drilling activity will be this season. The state request was a prudent and reasonable one which would provide adequate time to assess and plan for the social and economic effects of offshore activities. The situation with the St. George sale is the most obvious example of this lack of time, and delay of this sale remains warranted.

UFA, with the assistance of our State resource agencies, would like to take this opportunity to describe the national and international resource value of the North Aleutian Shelf area.

North Aleutian Shelf Resources.

The North Aleutian Basin Sale No. 92 area, situated at the entrance to Bristol Bay, is the most productive and sensitive OCS lease area on the U.S. Outer Continental Shelf. Its unique location near the productive shelf-break of the eastern Bering Sea Continental Shelf, and its close proximity to Unimak Pass and coastal habitats of the Alaska Peninsula make this area esential habitat for a wide variety of fish, birds, marine mammals, and other marine life that exist throughout the northern hemisphere.

1. Seven endangered species of whale occur in the leasing area including sperm, black, right, humpback, blue, sei, and fin whales. In addition, nearly the entire population of North Pacific gray whales (13,000-15,000 animals) are present during their annual spring and fall migration through Unimak Pass.

2. The majority (80 percent) of the Pribilof Islands northern fur seal population (1.3 million) migrates through Unimak Pass and is distributed throughout the lease area during the spring and fall.

3. The lease area is the southern terminus of the "Arctic bird migration route." In addition, birds from the "Asiatic route," the "mid-Pacific route," and the Northern American "Pacific Flyway" funnel through the area.

4. Izembek Lagoon, which contains the world's largest eelgrass beds, is immediately adjacent to the North Aleutian Basin. This area is used by hundreds of thousands of migrating waterfowl including the entire world's population of black brant (150,000); two-thirds of the world's population of Emperor geese (100,000); and half of the world's population of Taverner's Canada geese (50,000).

5. The area north of Cold Bay/Izembek Lagoon is used seasonally by millions of sea ducks, waterfowl, and marine birds.

6. Unimak Pass supports flocks of over one million shearwaters during July and August.

7. All five species of Pacific salmon migrate through Unimak Pass and the North Aleutian Basin, including up to 60 million adult salmon bound for Bristol Bay spawning streams and several hundred million outmigrating salmon fry. Many millions of other salmon utilizing the Pass are bound for spawning streams in the Yukon, Kuskokwim, and other northwestern Alaskan drainages.

With regard to salmon, this area is enormously active. Adult salmon return to streams in the area to spawn, starting in May. Smolts of the sockeye salmon spend one to three years in their fresh water habitat before outmigrating. Outmigration begins at spring breakup, and continues through late September. Peak outmigration usually occurs in June when 100-650 million juvenile salmon move into Bristol Bay and through coastal waters north of the Alaska Peninsula, remaining some 30 miles from shore. They concentrate at depths no greater than 15 feet as they pass through the more unproductive areas of inner Bristol Bay. They begin to feed as they approach the Port Moller area, and the productive coastal bays, estuaries and lagoons along the lower Alaska Peninsula. By fall, they have passed into the North Pacific through one of the passes in the Aleutians, where they range throughout the North Pacific and Bering Sea for one to three years.

8. The wholesale value of sockeye salmon that pass through the North Aleutian Basin into Bristol Bay was 145 million dollars in 1983. The Bristol Bay salmon fishery alone employs 10,000 workers from Alaska and the lower 48, and is a major factor in state and regional economics.

9. Commerical fisheries for king and tanner crab occur in or immediately adjacent to the North Aleutian Basin. In 1981, 129.9 million pounds of king crab valued at 116.2 million dollars, and 63.1 million pounds of tanner crab valued at 25 million dollars were harvested in this area.

10. The bottomfish fishery in the southeastern Bering Sea, which includes the North Aleutian Basin, is one of the largest in the world accounting for annual harvests of over one million metric tons, worth approximately 140 million dollars.

There are physical oceanographic reasons why activities, including major oil spills, occuring in the remaining sale area can affect other regions of Bristol Bay and western Alaska.

Winds and Tides. While basic circulation in Bristol Bay appears to be weak, prevailing winds can rapidly move pollutants onshore or into other marine areas. In the region north of the Alaska Peninsula, winds tend to move water eastward and toward shore during eight months of the year. Maximum sustained wind speed in the North Aleutian Basin may approach 70 mph during ten-year storm events. Tides, the other major source of energy for current movement in the Bering Sea, may produce tidal excursions up to five to seven kilometers. In the North Aleutian Basin, this movement is generally parallel to the coast. The effect of these processes can readily be observed by viewing debris, such as driftwood and fishing floats from the North Aleutian and St. George Basin, that are strewn in windrows up and down the beaches of the northern Alaska Peninsula.

Ice. Incursion of sea ice, vessel icing, and waves are examples of other factors which may influence oil and gas operations in the area. While the presence of sea ice is not a normal event, it does occur on occasion in portions of the lease sale area. Sea ice can be hazardous to certain drilling structures and support vessels and could seriously hinder oil spill cleanup operations. Sea spray icing is another hazard to operations during fall and winter periods. Vessels can become overloaded or top-heavy causing them to lose bouyancy and capsize. Many fishing vessels and experienced crews have been lost to icing in recent years. Equipment that is subjected to icing may be rendered inoperable. Finally, waves can exert extreme loading factors on drilling platforms and preclude cleanup operations should an oil spill occur. Wave heights of 20 to 40 feet are not uncommon during fall storms in the North Aleutian Basin and may approach 60 feet during 25-year events.

Adjacent Harards. It is also known that hazards in adjacent areas of Bristol Bay or the northern Gulf of Alaska can influence activities in the North Aleutian Basin. The most vivid example of this is the Scotch Gap disaster of 1946, when a Coast Guard Station on Unimak Island was destroyed in a tsunami generated by a shallow earthquake with an epicenter of 50 miles from the present lease area. The Aleutian arc seismic zone lies just south of Sale No. 92 and is likely to be a recurrent source of both earthquakes and tsunamis.

Data Gaps. The basis for our continuous request for delay in the North Aleutian sale is not myopia. We believe that there are data gaps of major significance concerning oil and gas leasing that militate in favor of a delay, particularly considering the national and international importance of the resource values in this area. We believe that during a period of reasonable delay studies ought to be conducted to address such informational gaps as:

1. Impacts of oil and gas development on marine mammals, such as effects of oil pollution and other disturbances.
2. Nearshore circulation patterns and longshore transport processes in relation to potential oil spill trajectories.
3. Timing and route of the fall migration of cetacean species utilizing Unimak Pass.
4. The ability to contain and clean up a major oil spill in prevailing sea and weather conditions in the North Aleutian Shelf including sea ice, sea spray icing, waves in excess of seven feet, and winds over 30 m.p.h.
5. The ability of drilling structures, pipelines, and oil storage facilities to survive a major earthquake.
6. Effects of increased activity in Unimak Pass and the North Aleutian Shelf on endangered whales.

7. The effects of seismic exploration on the behavior of commercial fish species, and subsequent effects on commercial fishing activities.

UFA finds the language of Section 18(a)(3) of the Outer Continental Shelf Lands Act of major importance to the North Aleutian Basin lease sale. We strongly believe that there should be a proper balance of the potential for environmental hazards, the potential for oil and gas discovery and the potential for adverse impact. While the importance of other resources is clear, not so clear is the oil and gas significance of the area. According to Department of Interior analysis of 18 sales in the five year nationwide schedule, the North Aleutian Shelf is 15th in terms of expected net social values of total production, 12th for net economic value per barrel, 15th in conditional mean economically recoverable resource estimates, and 16th in expected economically recoverable resource estimates. It is not clear whether the ranking of the North Aleutian Shelf sale is further reduced due to the reduction of 83% in area available for leasing. As well, Interior is unable to advise on the potential recoverable barrels for the sale area -- 17% of the original area. For the entire Basin the estimate of mean economically recoverable resources are some 500 million barrels of oil.

Because of the extremely high resource values, the high vulnerability of resources and habitats to adverse impacts, the environmental factors that increase the potential for significant impacts from oil and gas activities, a decision to proceed with leasing in the North Aleutian Basin could result in major losses in Alaska's fish and wildlife populations and subsequent hardships to the people who use them. This would be unacceptable considering that the option exists for leasing other OCS areas of lesser sensitivity first, while allowing time for advancements to drilling and cleanup technology and additional studies where environmental information is lacking.

It is our belief that moratoria on lease sales, as a general matter, are not the best way of establishing cohesive national energy policy. UFA and its member groups have not begun the process of working toward the question of lease sales in Bristol Bay by requesting Congress to impose moratoria. Rather we have worked through the process of discussions with the State, with our delegation and with Interior. It would seem that the question of moratoria come up more as a matter of "last resort" and with respect to precise areas of major resource significance. Groups considering to request Congress to impose moratoria often are doing so to explore all their options in pursuit of protecting their particular resource interest. The areas generally constitute a small percentage of total OCS acreage, and often are in areas of lesser estimated oil and gas potential. Often they are pursued because groups interested in the "other resources" have reached a point of major frustration. Often they are no more than the final reaction to a pressure these groups feel to be too great on too large a portion of the OCS. From our point of view, one wonders whether a slower approach in certain such key resource areas would not further all the interests of all national natural resources. One also wonders whether this, more reasoned approach would actually build better understanding between and among resource groups who are otherwise in direct conflict.

UFA appreciates this opportunity to express its concerns about more rational, balanced leasing in areas of the OCS of direct interest to Alaska fishermen. I would be pleased to answer any questions.

Senator **WEICKER**. Thank you very much. Out next witness is Emily Bateson.

Ms. **BATESON**. I believe Lisa Speer will be speaking.

STATEMENT OF LISA SPEER, RESOURCE SPECIALIST, NATURAL RESOURCES DEFENSE COUNCIL, INC.

Ms. **SPEER**. Mr. Chairman, my name is Lisa Speer. I appreciate the opportunity to testify today on behalf of the Natural Resources Defense Council, a national environmental organization with a membership of over 40,000.

My testimony today will address the reasons why congressionally imposed OCS leasing moratoriums have been and continue to be necessary.

I would first like to discuss the context in which the drawings for leasing moratoriums occur. The pressure for moratoriums legislation is very clearly a reaction to the most extreme leasing program that has ever been put into place in this country. That program, adopted by former Interior Secretary Watt in July 1982, opens up virtually the entire OCS of this country to oil and gas leasing in just 5 years. Included are some of the most environmentally sensitive and productive marine areas in the world such as George's Bank off the coast of New England and St. George Basin in the southeastern Bering Sea off Alaska.

In addition, the incredible pace and magnitude of leasing proposed under this program has seriously undermined the ability of Federal, State, and local governments to adequately assess the environmental impact of leasing and to plan for offshore hydrocarbon development.

A direct consequence of this has been that State and local governments and subsistence groups have felt compelled to resort to litigation to gain control over a process that has substantial implications for coastal resources. In the less than 2 years since the Watt program was adopted, over half of the 15 lease sales scheduled have been challenged on environmental grounds. This compares with 5 challenges on environmental grounds to the 20 lease sales scheduled in the 4 years prior to the adoption of the Watt leasing program.

Overall, 11 coastal States have been involved in challenges to the 5-year leasing program.

The department in essence has converted what Congress intended to be a very careful balancing of resource potential versus environmental risk into an inventory process whereby as much acreage is made available as fast as possible. In our view, this is an unacceptable approach and constitutes a delegation to industry of the Government's responsibilities as trustee for this important resource. Until balance is restored to this program, there will continue to be the need for congressional limitations on OCS leasing.

The argument has been made that since the advent of Secretary Clark, the process has been improved and as a consequence there is no need for congressional intervention.

However, the extent to which the Secretary is committed to change the Watt leasing program is still uncertain. The Secretary has stated his commitment to areawide leasing, which is one of the most objectionable features of the Watt program.

In addition, the Secretary has deferred decisions on one of the most controversial sales, lease sale 19, off the north central California coast, thus precluding the public from determining the extent to which he truly is committed to changing the direction of the program rather than simply quieting the waters in an election year.

The Secretary has additionally failed to satisfy the concerns of the States of Alaska, Massachusetts, and Louisiana regarding recently held or upcoming lease sales.

I would briefly like to address the issue of areas protected by moratoriums legislation in fiscal year 1984. The fiscal year appropriations, fiscal year 1984 appropriations legislation prohibited leasing of approximately 53 million acres off the coasts of New England, California, and the gulf coast of Florida. I would like to emphasize that this represents less than 10 percent of the areas scheduled to be made available in fiscal year 1984.

In addition, only 8.5 percent of the estimated hydrocarbon resources that were scheduled to be offered in fiscal year 1984 were affected by the moratoriums legislation. Thus it can hardly be said that the fiscal year 1984 leasing moratoriums provisions resulted in a massive hydrocarbon lockup.

Turning briefly to fiscal year 1985 moratoriums provisions, the House Interior Appropriations Subcommittee passed last week legislation that would impose leasing moratoriums for fiscal year 1985 in three areas off the coasts of New England, California, and Alaska. The proposed fiscal year 1985 leasing delays will remove less than 3 percent of the acres scheduled to be made available for lease in fiscal year 1985. This is 6 million acres out of a total of 211 million acres.

In addition, only 2.4 percent of the estimated hydrocarbon resources scheduled to be offered in fiscal year 1985 will be affected by leasing moratorium proposed by the House.

In conclusion, the effective leasing moratoriums as embodied in the appropriations legislation of recent years has been limited to key areas of our coastline of great environmental significance. The overall impact on acreage made available for lease and on hydrocarbon reserves made available for lease has been minimal.

The pressures for leasing moratoriums are likely to continue unless and until there is a clear indication from the Secretary that a more balanced leasing program is to be pursued.

Finally, I would like to say that the recent Supreme Court decision on consistency under the Coastal Zone Management Act leaves State and local governments with virtually no meaningful voice in the Federal OCS leasing process. As long as this situation persists, pressure for Congress to continue OCS leasing bans will remain great.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Speer follows:]

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TESTIMONY
OF THE
NATURAL RESOURCES DEFENSE COUNCIL, INC.
REGARDING
LEASING MORATORIA ON THE OUTER CONTINENTAL SHELF
BEFORE THE
UNITED STATES SENATE
COMMITTEE ON ENERGY AND NATURAL RESOURCES
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

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My name is Lisa Speer. I am a resource specialist with Natural Resources Defense Council (NRDC), a national environmental organization with a membership of over 40,000. I appreciate the opportunity to appear before this Subcommittee to testify on the Outer Continental Shelf (OCS) leasing program.

My testimony today will address the reasons why the leasing moratoria provisions enacted by Congress have been and continue to be necessary. In sum, the OCS leasing moratoria are a reaction to an extreme 5-year leasing program and are reflective of a serious breakdown in the administrative process governing leasing.

I. Need for Moratoria Legislation

It is important for this Subcommittee to be aware of the context in which the drive for leasing moratoria has occurred. The pressure for moratoria legislation is very clearly a reaction to the most extreme leasing program ever put into place in this country. That program, adopted by former Interior Secretary Watt in July 1982, opens up virtually the entire Outer Continental Shelf of this country to oil and gas leasing. The one billion acres made available for leasing consideration represents 25 times the amount of acreage made available for lease throughout the entire history of the leasing program since 1954.

The present Administration's 5-year leasing program makes coastal and marine areas along the entire coastline of this country available for leasing. Included are some of the most environmentally sensitive and productive marine areas in the world, such as Georges Bank off the coast of New England and the St. George Basin in the southeastern Bering Sea off Alaska. In addition, the incredible pace and magnitude of leasing proposed under this program threatens the ability of federal, state and local government to adequately assess the environmental impact of leasing and plan for its impacts. State and local governments, in particular, feel unable to cope with the massive and frequent leasing proposals off their shorelines which seriously dilute their ability to effectively comment and participate in the preleasing process.

A direct consequence of frustration with the program has been unprecedented litigation. In the less than 2 years since the Watt program was adopted, eight of the fifteen scheduled lease sales have been challenged on environmental grounds. This compares with five challenges on environmental grounds to the 20 lease sales scheduled in the four years prior to the adoption of the Watt leasing program. The results of the recent litigation have been the total cancellation of one lease sale (Lease Sale 52 in the North Atlantic), a significant delay in the issuance of leases pursuant to a second sale (Sale 70 in the St. George Basin), and a cloud over the leases issued in at least two other sales (the Norton Sound Sale and the recent Central Gulf Sale).

Overall, eleven coastal states have been involved in challenges to the Watt Program.*

The Department, in essence, has converted what Congress intended to be a very careful balancing of resource potential versus environmental risk into an inventory process whereby as much acreage is made available as possible as fast as possible. In our view, this is an unacceptable approach and constitutes a delegation to industry of the Government's responsibilities as trustee for this important public resource. Until balance is restored to this extreme program, there will continue to be the need for Congressional limitations on OCS leasing.

The argument is made that since the advent of Secretary Clark the process has been improved and as a consequence there is no need for Congressional intervention. However, the extent to which Secretary Clark is committed to changing the Watt leasing program is still uncertain. The Secretary has stated his commitment to area-wide leasing, one of the most objectionable features of the Watt program. This continuing commitment is evidenced by recent actions of the Department regarding the next mid-Atlantic sale, the EIS for which covers 20 million acres, and the next St. George Basin sale, the EIS for which covers 69 million acres. In addition, Secretary Clark has deferred his decision on one of the most controversial sales -- Lease Sale 91

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* Alaska, Washington, Oregon, California, Louisiana, Florida, Virginia, Maryland, New Jersey, New York and Massachusetts. Some states have challenged the entire program, others individual lease sales. Some have challenged both.

-- until after the election, thus precluding the public from determining the extent to which he is committed to really changing the direction of the program rather than simply quieting the waters in an election year. He has additionally failed to satisfy the concerns of the States of Alaska, Massachusetts, and Louisiana regarding recently held or upcoming lease sales.

II. Areas Protected by Moratoria Legislation in FY 84

It is of crucial importance for this Subcommittee to comprehend the environmental sensitivity and economic value of the areas put off-limits to leasing by the moratoria legislation. In addition, the overall impact of removing this acreage from the leasing schedule must be assessed.

The FY 1984 appropriations legislation prohibited the leasing of approximately 53 million acres off New England, California and the Gulf Coast of Florida. This represents approximately 8.5% of the estimated hydrocarbon resources which were scheduled to be offered in FY 1984.* In addition, less than

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* According to DOI's Annual Review of the 5-Year Outer Continental Shelf Oil and Gas Leasing Program (July 28, 1983), 25.8 billion barrels of oil equivalent were scheduled to be offered in FY 1984. According to testimony given by Assistant Interior Secretary Garrey Carruthers on June 12, 1984 before the House Subcommittee on Panama Canal/OCS, 2.2 billion barrels of oil equivalent were included in the areas affected by the FY 1984 leasing moratoria. Thus, only 8.5% of the estimated hydrocarbon resources scheduled to be offered in FY 1984 were put off-limits to leasing.

If the American Petroleum Institute's figure on the amount of oil covered by FY 84 leasing moratoria is used (1.38 billion BOE), only 5% of the estimated hydrocarbon reserves scheduled to be offered in FY 84 were affected by leasing moratoria.

10% of the acreage scheduled for leasing in FY 1984 was put off-limits.

Thus, the limitations placed by Congress on OCS leasing in the past fiscal year were very limited and as described below, focused on areas of high environmental sensitivity which the Interior Department had indicated an unwillingness to protect.

A. The North Atlantic

The North Atlantic planning area consists of 57 million acres. The planning area contains Georges Bank. Georges Bank has been the mainstay of the New England fishing industry for over 300 years. With proper care, this renewable resource will last for generations to come. Its unique circular current, shallow depth, unusual turbulence, and other factors combine to make Georges Bank one of the most productive fishing areas anywhere in the world. It supports over 40,000 jobs in New England and sustains a fishing industry of over $1 billion annually. In addition, the area is also a unique offshore spawning and nursery ground for the entire northwest Atlantic. The circular current, which retains valuable nutrients, makes the area dangerously susceptible to retention of contaminants -- toxic drill muds and cuttings, small chronic oil spills, ballast discharge, and formation waters.

The 1984 appropriations legislation removed approximately 8 million acres from leasing in the North Atlantic Planning area. It excluded leasing within 50 miles of the Massachusetts coast in order to protect the vital tourist industry; it prohibited leasing in the all-important shallow water spawning areas on Georges Bank; and it prohibited leasing in the lobster canyons off Georges Bank in the Great South Channel, a prime fishing grounds. These are areas of tremendous environmental and economic significance in terms of their renewable resources.

The 8 million acres protected by the leasing moratorium constitutes only a small part of the entire North Atlantic planning area. In addition, Lease Sale 82, scheduled to go forward this fall, is 14 million acres (exclusive of areas covered by the moratorium). Thus there is plenty of acreage available to be explored in the North Atlantic exclusive of the areas protected by the leasing moratoria.

Most significantly, the amount of oil and gas involved in the area protected by moratoria has been estimated by MMS to be 390 million barrels of oil equivalent. This represents one percent of the nation's total estimated offshore hydrocarbon resources and 1.5% of the hydrocarbons scheduled to be offered for lease in FY 84.

B. The Eastern Gulf

Approximately 7 million acres of the Gulf Coast of Florida were protected by the FY84 appropriations legislation. This represents only a small part of the entire Eastern Gulf planning area (58 million acres). The acreage banned from leasing was within a 20 to 30-mile buffer zone extending from Panama City on the Florida panhandle south to Naples. In addition, there was a ban on leasing south of Naples out to the 20 meter isobath. The total amount of oil and gas involved in leasing delays off Florida's coast has been estimated by MMS to be 138 million barrels of oil equivalent. This is the equivalent of 9 days worth of oil at 1983 consumption rates (15 million barrels per day). This represents one-half of 1% of the total estimated hydrocarbon resources scheduled to be offered in FY 1984. Thus, it can hardly be said that the ban on leasing in the Eastern Gulf resulted in a massive hydrocarbon lockup.

Tourism and fishing along Florida's coast brings billions of dollars each year into the state's economy along with hundreds of thousands of jobs. To jeopardize this tremendous resource for 9 days worth of oil simply does not constitue a balanced approach to resource management.

For example, the area below the 26 north latitude protected by the moratorium is a region in which the state of Florida has repeatedly and consistently opposed leasing. The region adjoins the Florida Keys, the Everglades National Park, and very important estuary and fishing areas. The largest concentration of pink shrimp in the Gulf is located here. Key West commercial fish landings alone were valued at $26 million in 1981 (Fisheries of the U.S., 1982, NOAA).

C. The California Coast

In FY 1984, Congress put approximately 2 million acres off-limits to leasing in lease sale 80 off Southern California, leaving over 11 million acres still available for leasing in that sale. The areas withdrawn were the Santa Monica Bay, Laguna Beach south to the Mexican border, the Channel Islands Marine Sanctuary and the Santa Barbara Channel Ecological Preserve. In addition, in FY84 there was a continuation from the prior year of a ban on any leasing from Morro Bay north to the Oregon border. Since no lease sale was scheduled in this area for FY84, this withdrawal had no immediate effect on acreage available for lease under the 5-year program.

In Southern California protection is needed for site-specific areas near San Diego, within the Channel Islands Marine Sanctuary, within the Ecological Preserve and around Santa Monica Bay. The San Diego region has significant environmental assets in fisheries and coast-related tourism. In 1981 the Port of San Diego accounted for the fourth most highly valued commercial landings in the nation. Its catch was valued at $83 million. The Channel Islands Marine Sanctuary was designated in September 1980. It is located in a transition zone between the cold waters of the California current and the warmer Southern California countercurrent. Consequently, the Sanctury contains exceptionally rich and diverse biota including thirty species of marine mammals and several endangered species of marine mammals and sea birds. The Santa Barbara Channel Ecological Preserve and Buffer Zone was established March 26, 1969 by the then Secretary of the Interior, Walter Hickel. The designation of the preserve was intended to protect the values of this small (less than 100,000 acres) area for scientific study, recreation, and the benefit and enjoyment of future generations. The last Southern California area protected by the leasing moratorium is Santa Monica Bay. An oil spill occurring in Santa Monica Bay would jeopardize 21 state beaches and parks that adjoin the area. In recognition of the important value of the Santa Monica Bay, previous Secretaries of the Interior have agreed to delete the Santa Monica Bay tracts from previous lease sales.

The extreme public concern over Interior's broad brush approach to leasing proposals along the central and northern California coast derives from the fact that its local economies are based directly on the commerical and tourism industries. Commercial fishing in this area represents a $1 billion per year renewable resource, and coastal-dependent tourism represents $15 billion per year to local economies, according to the U.S. Office of Tourism data. So conceived, OCS proposals are seen as insensitive to the clearly stated public priority that the existing economic base must be protected, particularly in areas where petroleum potential is minimal.

III. FY 1985 Moratoria Legislation

On June 19, 1984, the House Interior Appropriations Subcommittee passed legislation imposing leasing moratoria for FY 1985 in three areas off the coasts of New England, California and Alaska. The proposed FY 85 leasing delays will effectively remove less than 3% of the acres scheduled to be made available for lease in FY 1985 (6 million acres out of 211 million), and only 2.4% of the estimated hydrocarbon resources scheduled to be offered in FY 1985.

A. The North Atlantic

No OCS lease sales off the coast of New England are planned for FY 85. Consequently, the proposed FY 85 appropriations leasing ban will not affect the amount of oil scheduled to be offered for lease in FY 85. Nineteen members of the New England delegation asked Interior Appropriations Subcommittee Chairman Yates to impose the leasing delay.

B. California

Like Massachusetts, no OCS lease sales are planned for the offshore California areas covered by the proposed FY 85 leasing moratoria provisions. Consequently, the FY 85 leasing provisions will not effect the amount of oil to be made available to the industry in FY 85. Twenty-eight members of the California delegation, including both Senators, asked Subcommittee Chairman Yates to impose the leasing delay.

C. Bristol Bay, Alaska

The proposed FY 85 leasing moratoria provisions passed by the House Interior Appropriations Subcommittee would prohibit leasing in Bristol Bay for one year. The proposed Bristol Bay moratoria would remove six of the 100 million acres scheduled to be offered for lease in FY 1985 in Alaska and the 211 million acres scheduled to be offered nationwide in FY 85. The oil involved in the Bristol Bay provisions (0.5 billion barrels)* represents an estimated 2.4% of the hydrocarbon resources scheduled to be offered in FY 85 and 1.4% of the nation's total offshore reserves.

Bristol Bay is internationally famous for its production of halibut, herring, and King crab and it is the nation's largest and most valuable salmon fishery. An estimated 15-16,000 endangered gray whales, virtually the entire world population, annually travels through Bristol Bay. Other endangered whales that frequent the Bay include the bowhead, finback, right, sei and sperm whales. Tens of thousands of walrus, sea lions, sea otters, fur seals, and harbor seals use the sales area for breeding and pupping. Bristol Bay and the Alaskan Peninsula which adjoins it, are one of the world's great bird migration crossroads.

Not only environmentalists but Alaskan native groups, local governments, and fishing groups have consistently opposed leasing in this valuable and vulnerable area. In addition, the Governor of Alaska has asked the Secretary of the Interior for a 10-year delay in leasing in Bristol Bay.

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* The DEIS has not yet come out for the 1985 Bristol Bay Sales. The 0.5 billion barrel figure was given verbally by MMS on 06/21/84. If the BOE figure for the entire Bristol Bay planning area cited in DOI's 1983 Annual Review (0.2 billion BOE) is used, the percentages noted above sink to 1% and 0.5% respectively.

Secretary Clark earlier this year made some changes in the Alaskan leasing schedule with respect to Bristol Bay. However, he still proposes to proceed with leasing in a portion of this area. Indeed, the acreage remaining to be offered in Sale 92 is arguably the most important and sensitive from the standpoint of the biological resources of Bristol Bay. For example, the major portion of the rapidly-expanding Bristol Bay tanner crab fishery lies in the heart of the area to be leased. In addition, approximately 95% of the North Peninsula salmon catch, valued at $14.5 million in 1979, was taken from the proposed sale area. The new lease sale area encompasses one of the world's great bird migration crossroads, Izembek Lagoon, which contains the largest eel grass beds in the world, and is utilized by hundreds of thousands of migrating water fowl each year. The sale area is also prime habitat for walrus, sea lion, seals, sea otters, and six species of endangered whale.

Removing Bristol Bay from the FY 85 lease sale schedule still leaves two scheduled sales in Alaska, one in the Gulf of Alaska/Cook Inlet in December of 1984 and one in the St. George Basin in April of 1985. Together, these two areas cover 94 million acres and 1.4 billion barrels of oil -- almost three times the amount of oil thought to underlie Bristol Bay. Given 1) the huge offshore area that has been made available in Alaska to date (close to 40 million acres); 2) the even more massive acreage to be made available in FY 1985; and 3) the tremendous biological resources present in Bristol Bay, we feel removal of the 6 million acre Bristol Bay sale from the FY 85 lease sale schedule is well justified.

IV. Long-Term Leasing Moratoria

I would like to briefly address the issue of longer-term moratoria, such as those embodied in H.R.2059 sponsored by Mr. Panetta and Mr. Studds. This bill would impose a moratorium on offshore oil and gas leasing with respect to areas off California and Massachusetts similar to those protected by the moratoria contained in the FY84 Interior appropriations legislation. The moratoria would extend until the year 2,000 for areas off California and until the year 1990 for areas off the Massachusetts coast.

We support the idea of putting certain particularly valuable areas of our coastlines off limits to oil and gas leasing for a period of time, making them the last areas to be opened up for oil and gas leasing. In the same way that highly valuable onshore areas have been included in national parks, wildlife refuges or wilderness areas, so, too, should there be a process for designating areas of our coastal and marine resources for similar protection. One of the major problems we have with the present 5-year program is that it essentially opens up so much of OCS so fast for oil and gas development, regardless of the environmental sensitivity and marine productivity of the areas affected.

We believe there should be a process by which areas can be proposed for long-term protection and that that process should go forward prior to all areas being opened up for leasing.

Conclusion

The effect of the leasing moratoria embodied in the appropriations legislation of recent years has been limited and has been targeted on key areas of our coastline of great environmental significance. The impact on overall acreage made available to industry for lease and on hydrocarbon reserves made available for lease, are minimal. The pressures for leasing moratoria are likely to continue unless and until there is clear indication from the Secretary of the Interior that a more balanced leasing program is to be pursued.

Finally, I would like to say that the recent Supreme Court decision on consistency, under the Coastal Zone Management Act, leaves state and local governments with virtually no meaningful voice in the federal OCS leasing decision. As long as this situation persists, pressure for Congress to continue the OCS leasing bans will remain great.

Thank you, Mr. Chairman.

Senator WEICKER. Thank you very much.

Ms. Bateson.

Ms. RAISBECK. I am Ms. Raisbeck. I would like to go next.

Senator WEICKER. Fine.

STATEMENT OF ELIZABETH RAISBECK, LEGISLATIVE DIRECTOR, FRIENDS OF THE EARTH

Ms. RAISBECK. I am speaking today on behalf of the Friends of the Earth and the Coastal Alliance, also the Sierra Club and the Environmental Policy Institute.

In listening to the testimony this morning presented by Mr. Clar, it is very clear there is a kind of a numbers game going on here in the offshore drilling program, and one which we would like to address.

It is certainly true that 52 million acres have been set aside in moratoria by the Congress. However, the reason that has happened is that such huge numbers of millions of acres have been offered for lease sale in the last couple of years since the Watt program drastically revised the previous program. Of the 52 million acres, only really a very small percentage of that acreage has oil and gas potential.

Ms. Speer has testified—from NRDC—that DOI has estimated that something like 8 percent of the actual estimated oil and gas potential of the fiscal year 1984 was set aside. The American Petroleum Institute has even a lower figure of only 5 percent of the oil and gas potential of that year is set aside.

It just seems clear to us that both the Department of the Interior and the oil and gas industry simply want to have the authority to offer any acreage anywhere on the Outer Continental Shelf for sale.

Now the Reagan administration has made very clear that the value of oil and gas production for energy independence and national security take precedence over every other value, and the reason that the moratoriums are continuing in the Congress I think is because there are other values that are of such great importance to local and State economies that the States have felt forced to come to the Congress and ask for help.

Now it can't be claimed by industry that they are not having access to the most promising areas. Some promising areas have been set aside, but there are many others that are very promising. Off the coast of California, the recent find of last fall. The Point Arguello oilfield is the largest find since Prudhoe Bay. That is in the Santa Maria Basin, and that area is up for lease and is expected to produce the most oil of any offshore area outside of the Prudhoe Bay area.

There is some interesting numbers in terms of acres actually leased by industry. I don't think that industry can say they haven't had access to acres and they have been leasing and I doubt they would be leasing in areas where there is no oil and gas.

During the Carter administration there was an average of about 300,000 acres leased for sale. During the first 2 years of the Reagan administration before the new accelerated program went into effect, the number went up just somewhat to 373,000 acres average, but during the last 2 years, 1983 and early 1984, that number, average number of acres leased for sale has jumped to 1,235,000 acres.

At the same time, I hope this committee will note that the average price per tract or per acre is dropping dramatically, and that there really is a fair market value issue in the offshore program. Back when Secretary Watt first proposed this program, we came before some committees of Congress and warned that we thought that there was going to be a fair market value issue when millions and millions of acres were offered at a time, and the price is dropping. It was $2,400 an acre during the Carter administration. That has dropped now to $2,000 an acre during the first 2 years of the Reagan administration, and in 1983 and 1984 it is down to $531 an acre. That is not much for the value of our offshore drilling.

Now the administration is pointing out that they are expecting to have a poor return in the OCS revenues this year, but we suggest that the reason is not because of the OCS moratorium but because they are offering so much acreage that there is reduced competition for those acres, and the price per acre is dropping dramatically.

I would just like to point out a couple of things about impact of offshore oil and gas. I think the case of what is happening in Santa Barbara is an interesting one, and is very relevant for what is going to be coming to Alaska if we are going to open up the entire coast of Alaska.

Santa Barbara right now is having a crisis of onshore development related to offshore drilling. They are expecting an 800 percent increase in OCS-related development by the year 1992—a growth of onshore production from 8,000 barrels a day to 400,000 to 800,000 barrels a day; 17 percent of Santa Barbara's air pollution right now comes from OCS development, and the local restrictions for air quality are tougher than Federal standards, and yet they have no recourse as this coming offshore development occurs to force the Federal Government to come into compliance with their local laws.

At present, Santa Barbara is trying to process the permits for two or three marine terminals. Those are onshore loading stations into an intrastate pipeline route, two to four oil and gas processing facilities, a supply base, and numerous smaller support facilities. Now this is all to accommodate development coming from 17 tracts that were leased between 5 and 10 years ago.

There is a lot more leasing going on now in the next few years which is going to force Santa Barbara to accommodate yet more onshore development in the future years. One of their worst problems is that they have an inadequate water supply, and right now their water deficit is running at something like 40,000 acre-feet per year. One oil and gas processing facility uses 750,000 barrels of water a year, and Santa Barbara has real concerns about who is going to get the water as onshore oil comes to their town.

Finally, Mr. Chairman, I just want to say a word about the Coastal Zone——

Senator **Weicker**. There is going to be no time for that last witness. I have gone over the time as it is now. I would appreciate it——

Ms. **Raisbeck**. All right. I have made a statement about the consistency legislation in my testimony, and I will leave it at that.

Senator **Weicker**. Thank you very much.

[The prepared statement of Ms. Raisbeck follows:]

STATEMENT
OF
FRIENDS OF THE EARTH
AND
THE COAST ALLIANCE
BEFORE THE
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY
OF THE
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE
ON
THE WATT-CLARK OCS ENERGY DEVELOPMENT PROGRAM AND OCS MORATORIA

JUNE 26, 1984

Presented by:

Elizabeth Raisbeck
Legislative Director,
Friends of the Earth

Mr. Chairman and members of the Committee:

I am pleased to testify today on behalf of the Coast Alliance and Friends of the Earth. The Coast Alliance is a national organization representing a broad range of citizens concerned about the deterioration of our coastal resources. It includes environmentalists, fishermen, scientists, writers and other concerned citizens from all the coastal regions of the country. Friends of th Earth is a national and international environmental organization with 40,000 members and donors in the U.S. and over 25 affiliates around the world.

PROBLEMS WITH THE WATT-CLARK OCS PROGRAM

I would first like to summarize the problems with the federal off-shore energy program. My colleague from the Natural Resources Defense Council will discuss them more fully in her statement before this committee.

- Area-Wide Leasing: The change from site specific tract identification for lease offerings to area-wide lease sales has caused enormous problems for the states and local communities. Secretary Clark's failure to end area-wide leasing is indicative of this Administration's unwillingness to narrow the leasing program to a manageable size that will enable environmentally safe off-shore development to go forward.
- Too Much Too Fast: The Watt-Clark program is offering twenty times the acreage made available under the Carter program, which was itself a greatly accelerated program over the previous OCS program. The Watt-Clark program is making available to industry a billion acres in five years, equivalent to an area equal to half the continental U.S. This represents twenty-five times the acreage offered during the previous 26-year history of the off-shore leasing program. Forty-one million acres were offered from 1954 to 1980. Of these a little less than half were leased suggesting that industry had sufficient acreage available for leasing under previous programs.
- Congress has acted in response to these concerns, which are not being adequately addressed in the Reagan Administration's OCS program, by moving to protect a few particularly environmentally sensitive areas. We support that action and hope that continued Congressional interest in the federal off-shore energy program will stimulate the needed changes in the program.
- We commend Secretary Clark for bringing change to the process of the OCS program. The Department of Interior is clearly giving greater attention to consultation with the states, and in some cases with local governments and the

public. We continue to be concerned, however, that change in process is not translating into change in product, that is, in the size and timing of lease sales, except in cases where the industry has indicated little interest in the area or where the Congress has forced the DOI to accomodate state concerns.

THE IMPACT OF OCS MORATORIA ON OUR ENERGY FUTURE

We welcome this opportunity to set the record straight on the true impacts of OCS moratoria on our energy future. Opponents of OCS moratoria are asserting that the OCS is virtually being locked up by Congressionally mandated temporary delays in leasing in sensitive areas. In fact, the Watt-Clark OCS program is not only making available but leasing far more of the OCS than has ever been leased before. We offer the following data taken from the Mineral Management Service's statistics, January 6, 1984, and updated.

	Average # of acres offered per sale	Average # of acres leased per sale	Average cost per acre sold per sale
1978-12/'80	701,261	322,997	$2,427.29
1981-4/12/83	1,300,962	373,329	$1,958.62
4/26/83-4/17/84	32,038,698	1,235,537	$531.34

These figures indicate that with the advent of area-wide leasing, the actual acreage leased has shot up 300%. Unless the industry is throwing away its money, we can only assume that this giant leap in leasing is occurring because industry has been given the opportunity to lease in a number of very promising areas.

Two things are clearly happening under the new program. Acreage leased is increasing enormously, and the value of the acres leased is dropping even more sharply. The average price per acre declined 20% during the first two years of the Reagan administration, which may be attributable to the recession combined with oversupply of world-wide oil. With the change to area-wide leasing, however, the price per acre has plummeted by 78%. Two recent frontier sales of 1984, not included in table of the above figures, the Navarin and Eastern Gulf of Mexico sales, show a further slump to an average of $451.17 per acre. In effect, the prediction we made back in 1981 and 1982 that leasing so much so fast would do great damage to the federal government's ability to achieve fair market value for its OCS sales is occurring.

We encourage this committee to investigate the impact of the accelerated leasing program on the expected revenues to the U.S. treasury. We fear that just as in the coal leasing program, we are facing a "giveaway" of a precious non-renewable resource, at a time when the world-wide energy market does not warrant the pace of this leasing program.

Opponents of the moratoria are also stating that delays in leasing in these areas are a serious threat to both our energy independence and to our national security. The present volatile situation in the Persian Gulf is being pointed to as indicative of our need to look everywhere, no matter what the risks, for our future oil supply. The Department of Energy, however, recently sent a memo to several members of Congress indicating that we should not panic over the Persian Gulf situation. It highlights the following:

- The U.S. is already achieving greater energy self-reliance than before the oil embargos of the 1970's. Six years ago we were importing 46% of our oil, but in 1983 the U.S. imported only 28% of its crude oil and petroleum products.
- In 1983 the Persian Gulf countries provided the U.S. with only 10% of its total net imports and less than 3% of its consumption.
- In 1983, no Middle East country was among the top four supplier nations of U.S. imported oil. Saudi Arabia and Algeria are the only such countries among the top ten suppliers of imported oil.
- If imports remain at the level of 1983, the more than 400 million barrels now in the Strategic Petroleum Reserve would replace more than 90 days of the average net imports to the U.S.

In a recent speech, Energy Secretary Hodel further elaborated on the last point, stressing that the SPR could provide more than 800 days of oil if the Persian Gulf alone were cut off, and more than 200 days' supply if all OPEC supplies were interrupted. It is true that imports are again on the rise this year as the economy bounces back and energy consumption increases. But there is little evidence that setting aside a few environmentally sensitive areas now will have any impact on our future energy production.

Furthermore, if temporary delays in leasing through Congressional action were a serious threat to our national security, it is unlikely that the Department of the Navy would come before a House Subcommittee as it did two weeks ago and testify that it was neither for nor against OCS moratoria. In fact, the assistant to the Secretary indicated that the Navy is supportive of certain moratoria because of difficulties they have had negotiating satisfactory agreements to delete areas from leasing that are vital to defense preparedness. It should be noted that a large proportion of tracts excluded from leasing during 1983 and 1984 were done so at the request of the Defense Department. Most of the South Atlantic sale was excluded at the request of NASA and the Navy, and of the 1,555 blocks excluded from the Southern California Sale (#80), 1,295 were excluded at the request of the Department of Defense, and only 270 through Congressional action for environmental reasons.

THE CALIFORNIA CASE

Serious conflict with the Reagan Administration's OCS leasing program began when Secretary Watt announced in early 1981 that he was reconsidering the Carter Administration's decision to delete most of the four northern California basins from lease sale #53. Shortly thereafter he decided to go forward in those area's areas despite the state's contention that leasing along this magnificent coast was not consistent with California's Coastal Zone Management Plan. This case, as I am sure you are aware, was litigated to the Supreme Court, which overturned two lower courts in finding that the "consistency" requirement of the CZMA did not apply to OCS leasing. Thus, California officials and members of the California delegation had little recourse but to turn to Congress for assistance to achieve the balance the courts had denied them.

The California coast simply does not lend itself to area-wide leasing. It is such an incredibly rich combination of productive estuaries, marine mammal and other wildlife habitat, magnificent beaches and the splendid visual panoramas of Big Sur, Point Reyes and Monterey Bay that indiscriminate leasing along 1100 miles of coastline is widely viewed as an unacceptable threat to existing multi-billion dollar industries of tourism and fishing. Thus, twenty-eight members of the California delegation, including both the California Senators, have requested that the moratoria for the sensitive areas off the California coast be continued. In addition, fifty-five local and county governments, state legislators and fishing associations are supporting Congressional initiatives to protect sensitive areas. Another 28 local and national environmental and civic organizations have expressed similar views.

The experience of Santa Barbara with OCS development pre-dates the area-wide leasing approach and its additional problems. It is still a good indicator of what OCS development really means for a community. In short, the federal government sells the tracts, collects the revenue, and leaves the local community to cope with enormous development related stress down the road.

Santa Barbara is now trying to plan for enormous on-shore growth fast approaching as the result of tracts sold between five and 15 years ago. The largest U.S. find since Prudhoe Bay occurred during the last year in the Pt. Arguello oil field north of Santa Barbara in the Santa Maria Basin, the most promising of California off-shore geologic structures.

The problems arising are four--air quality, marine quality, new transportation and facility needs, and severe socio-economic disruption. To put it succinctly, Santa Barbara is about to become a boom town, and its citizens and public officials are deeply worried about the impact on the quality of life in Santa Barbara.

- Santa Barbara is expecting an 800 % increase in OCS related development by the year 1992, a growth of off-shore production from 8000 barrels per day (bpd) to 400-800,000 bpd.

- Seventeen percent of Santa Barbara's air pollution presently comes from OCS development. This is likely to increase as development increases. Local air quality standards are stricter than federal standards, yet it is unclear whether the state can force the federal government to offset these off-shore impacts.

- At present Santa Barbara is trying to process the permits for two or three marine terminals (on-shore loading stations), inter- and intra-state pipline routes, two to four oil and gas processing facilities, a supply base and numerous smaller support facilities, all of this to accomodate oil and gas produced from leases five to ten years ago.

- Santa Barbara is presently experiencing overdraft problems from its groundwater water supply. Its water deficit is 40,000 acre feet per year. One oil and gas processing facility uses 750,000 barrels of water a year. As the competition for water increases, who will win and lose as difficult choices are made?

The Watt-Clark program is likely to multiply the Santa Barbara problem on a far grander scale up and down the California coast. Because of this coming assault on the coast, public officials of California have asked the federal government to go slow and give the state the time needed to plan for development so that other economies are not severely damaged. In the meantime, the most promising area, the Santa Maria basin, is open for leasing. This area alone is expected to contain twice as much oil as all of the four northern basins combined.

At risk if all of California is opened up for development is a $15 billion tourist industry, a nearly billion dollar fish processing industry, air and water quality, and some of our richest marine mammal and other wildlife habitat.

- The commercial fish landings in Los Angeles in 1981 were the second highest in the nation, valued at $110 million.

- The City of Santa Monica estimates that tourism generates $100 million annually.
- Over 60 million people a year visit Los Angeles county beaches alone.
- Tourism accounts for over 240,000 jobs in the central/northern areas of the state.

Before leaving the discussion of California, the question of jobs must be addressed. Opponents of moratoria have said that they support unabated off-shore energy development because it will provide jobs. We believe that if this premise is examined, and we encourage this committee to do so, that three things will be learned:

1. Off-shore energy development provides far fewer jobs than the other economies that are put at risk by uncontrolled OCS activity,

2. There are few minority jobs among the highly skilled jobs of the capital intensive OCS development sector but many minority jobs in the more diversified service related economic sector we call tourism.

3. The associated costs of energy development far outweigh the benefits of increased jobs in the economy from OCS development.

THE OCS PROGRAM AND THE COASTAL ZONE MANAGEMENT ACT

Other legislation before Congress is relevant to the debate on the federal off-shore energy program, the so-called consistency legislation (S. 2324). This bill, if passed, would significently alter the present relationship between the state and the federal government with regard to off-shore leasing by restoring the proper balance between state and national interests.

Until the Supreme Court decision of last January, state concerns about federal off-shore leasing could be addressed through the "consistency" provision of the CZMA which requires that federal activities that directly affect the coast of states with approved CZM programs be consistent with the state's CZM program. In a narrow interpretation of the law, however, the Court found that OCS leasing activities were not subject to consistency review.

The effect of this decision has been to increase pressure for moratoria on lease sales in sensitive areas, because the states no longer have any legal mechanism to require that federal activities are conducted in a manner compatible with overall conastal management goals. The balance between federal and state authority was thrown seriously awry by the Supreme Court decision.

It is disappointing that the Reagan administration has vehemently opposed passage of S. 2324, which would restore the original intent of the Congress that all federal activities having impacts on the coast be in compliance with federally approved CZM plans. The law has worked well to date, with very few unresolved conflicts finding their way into court. Rather the requirement of consistency has forced the federal government to pay attention to state concerns and brought about compromise on all sides to reach resolution. It has not given the states a "veto" over federal activities, for the burden is on the state to give evidence of failure of a federal activity to meet the "consistency" requirement and to prove it in a court of law. Thus, only the most serious and flagrant violations of the "consistency" requirement are likely to be litigated.

We urge members of this committee to support this legislation as an effective means of restoring the balance of power in decisions on off-shore leasing. Without its passage, the conflicts over OCS development will continue to be intense and will give rise to Congressional moratoria and litigation. Unfortunately, the Reagan Administration seems to believe that if it can prevent passage of S. 2324 and bring an end to moratoria, that its problems will be solved and opposition to accelerated leasing will be squelched. In fact, defeat of S. 2324 and moratoria legislation will stir new waves of opposition to the Watt-Clark program, and the very factors that drove Mr. Watt from office will continue to haunt this administration--that is, the unwillingness to provide true balance between the goals of energy production and the need for environmentenal protection which can only be achieved by giving the states and the public a real voice in the decision making process rather than token consultation.

Senator WEICKER. Thank you very much.

STATEMENT OF EMILY M. BATESON, PROGRAMS DIRECTOR, CONSERVATION LAW FOUNDATION OF NEW ENGLAND, INC.

Ms. BATESON. My name is Emily Bateson. I am the programs director of the Conservation Law Foundation of New England. I will be very brief.

We have closely followed the issue of oil and gas leasing since it was first proposed for the George's Bank area in 1977.

At stake has been one of New England's more valuable economic, cultural and biological resources—George's Bank. The first sale, No. 42, was stopped by the district court and upheld on appeal when CLF and the State of Massachusetts argued that there were not sufficient environmental safeguards to protect that fishery, and the ensuing process complicated by the sale finally went forward after the amendments on the Outer Continental Shelf Lands Act were passed in 1978.

Interior argued and the court agreed that those amendments were the environmental safeguards required. With this perspective, I think it is quite valuable to test the success of the current OCS Program in the context of George's Bank, an environmentally sensitive area which was only leased because these amendments would provide the environmental protection required for a fishery of this magnitude.

Unfortunately, George's Bank does not reflect that success. I will defer my testimony on the value of the George's Bank fishery which is immense, and its unusual susceptibility to the effects of oil pollution, but I would like to simply point out that during the first lease sale it was estimated that 123 million barrels of oil might be found in what was originally a 73-tract sale.

The First Circuit Court of Appeals described this as an uneasy calculus between environmental protection and potential for oil and gas. Because of exploration on these first tracts which produced eight dry holes, resource potential has plummeted, and the upcoming lease sale No. 82, perhaps 60 times larger, has perhaps only twice as much oil.

In terms of fishery value, there is already evidence that the fishing stocks may not be able to take much more stress. I think this is valuable because it shows that Interior has simply not reassessed the wisdom of jeopardizing this fishery in accordance with the balancing requirements of the Outer Continental Shelf Land Act, and I refer you to section 18 of that act which requires that timing and location of lease sales be based on a consideration of the relative environmental sensitivity and marine productivity of different areas as well as the proper balance between the potential for environmental damage, the potential for discovering oil and gas, and the potential for adverse impacts on the coastal zone.

We interpret this to mean that the areas with the greatest economic potential for oil and gas and the least environmental sensitivity should be leased first and those areas such as George's Bank should be leased last.

I submit to you that there is no reason that the entire OCS must be offered in a single 5-year period, and therefore, valuable areas such as George's Bank may be deferred for another time.

In conclusion, I would simply like to point out that there are inherent risks to offshore drilling despite the environmental record of our oil companies, and these should be taken into account when you open up sensitive areas to offshore drilling.

As requested earlier, I will submit additional studies on this, but in summary, the risks of oilspills—no oil spill has ever been cleaned up more than 25 percent; chronic discharge, which contributes more than oilspills over the 40-year life of the field; and drilling muds which in fact can harm fisheries.

I think one of the worst problems here is that we simply don't know. There could be a George's Bank oilspill and documenting that damage in the long term is almost impossible to assess.

Thank you very much.

[The prepared statement of Ms. Bateson follows:]

CLF

TESTIMONY OF THE CONSERVATION LAW FOUNDATION OF NEW ENGLAND BEFORE THE SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY CONCERNING OUTER CONTINENTAL SHELF LEASING MORATORIA

My name is Emily M. Bateson and I am the Programs Director of the Conservation Law Foundation of New England, Inc. ("CLF"). I would like to thank Chairman Weicker and the subcommittee members for the opportunity to present testimony today on the important issue of leasing moratoria for the outer continental shelf.

CLF has closely followed the issue of oil and gas drilling since the first lease sale was proposed for Georges Bank in 1977. Since that time, we have argued for adequate environmental protection in the outer continental shelf ("OCS") three times in front of the U.S. District Court, five times before the First Circuit Court of Appeals, and twice before the U.S. Supreme Court.

At stake has been one of New England's most vital economic, cultural, and biological resources: Georges Bank. The first sale in this valuable fishing area, Sale 42, was stopped by the District Court and upheld on appeal when CLF and Massachusetts argued, not against off-shore drilling, but for sufficient safeguards to protect this remarkable area. The subsequent proceedings were complex, but the single most important factor in the final scheduling of the sale was the passage of the Outer Continental Shelf Lands Act ("OCSLA")

Amendments. These amendments, The Department of the Interior ("Interior") argued and the Court agreed, were the safeguards we had requested. It is therefore important to test the success of the current OCS program in the context of Georges Bank -- an environmentally sensitive area which was only leased because these amendments would provide the environmental protection required for a fishery of this magnitude.

Unfortunately, Georges Bank exemplifies the failure of the Watt-Clark Five Year Plan to comply with this environmental mandate and provide the protection envisioned by Congress. And sadly, Georges Bank is but one example in an OCS program so severely remiss in the area of environmental protection that Congressional leasing moratoria are essential for a balanced program. It is only this continued neglect of long-term fishery resources in favor of short-term gain from massive bargain basement lease sales that necessitates a continuation of Congressional leasing moratoria for fiscal year 1985.

Georges Bank

Georges Bank was a major factor in the colonization of New England and has been a mainstay of the New England fishing industry for over three hundred years. With proper care, this renewable resource will last for generations to come. Its unique circular current, shallow depth, unusual turbulence, and other factors combine to make Georges Bank one of the most productive fishing areas anywhere in the world. It is twice as productive as the North Sea, four times as productive as the Grand Banks, and five times as productive as the North East Arctic.

Of all the well-defined fishing areas off the United States, Georges Bank exhibits the greatest ecological productivity and supports the greatest variety and quantity of important fish and shellfish. Approximately 70 species are regularly recorded in the Bank's commercial catch, including such New England favorites as: cod, haddock, sole, flounder, mackeral, whiting, hake, scallops, and lobster. This diversity and quality are astounding. Over 75% of the fish caught on Georges Bank are edible, for instance, while over 75% of the Gulf catch are used for industrial purposes.

Georges Bank supports over 40,000 jobs in the New England region, and sustains a fishing industry worth over one billion dollars annually.

In addition, the enormous fishery of the North-Atlantic is believed to be largely dependent upon Georges Bank for its vitality. Thus as well as the catch generated on Georges Bank itself, the area also serves as a unique spawning, nursery, and feeding grounds for significant stocks of food fish which are caught elsewhere. This economic value is impossible to assess.

Because most fishing banks have protected, inshore breeding grounds, Georges Bank, with off-shore breeding and nursery grounds (the most sensitive life stages) is unusually prone to oil contamination. The circular current which retains valuable nutrients also makes the area dangerously susceptible to retention of contaminants -- toxic drill muds and cuttings, small chronic oil spills, ballast discharges, and formation waters. These chronic sources of pollution actually contribute more pollution than large spills during the life of a field. The severe weather conditions on Georges Bank which provide a constant upwelling of nutrients for the fishery, only increase the likelihood of spills and ensure infeasibility of clean-up. In other words, the very factors which make Georges Bank a productive fishery also render the area unusually vulnerable to contamination from oil activity.

Environmental Balancing on Georges Bank

When oil and gas drilling was first proposed for Georges Bank, it was estimated that 123 million barrels of oil might be found in the 73 tract area. The First Circuit Court of Appeals described this as an "uneasy calculus" between renewable fishery resources and our need for oil and gas. However, the sale was ultimately allowed to proceed, partly because Interior promised to:

> start small, find the best spot, find out what is there, find out what the problems are, and then make a determination where to go further, whether to find more oil or gas on Georges Bank, if there is anything there to find.

CLF v. Andrus, Preliminary Injunction Transcript (McNaught), November 2, 1979, p.3-83.

Because of exploration on those first tracts -- eight dry holes -- resource estimates for oil and gas in the area plummeted. As a result, upcoming Lease Sale 82, 60 times larger than the first sale, has only perhaps twice as much oil. In turn, the value of the fishery has, if anything, grown, and there is new evidence that the fishery stocks cannot take much more stress. What was once an "uneasy calculus" is no longer even a close call.

However, Interior has not made any balancing "determinations" based on these drastically lower resource estimates as promised and required. Instead, leasing plans for the Georges Bank area continue regardless of exploration results, court actions, and congressional concern. The first sale was 63 tracts, the second would have been 488 tracts, and the third, without congressional intervention, would have been over 4,000 tracts.

Georges Bank is a perfect test case for the balancing requirements of the OCSLA. The estimated amount of oil and gas is simply not worth jeopardizing a fishery of such value and vulnerability; the most sensitive areas should be deleted from leasing consideration under section 18 of the OCSLA.

This section is the linchpin of environmental protection for OCS oil and gas leasing. It requires, among other things, that the timing and location of oil and gas activity be based on

(1) a consideration of "the relative environmental sensitivity and marine productivity of differest areas of the (OCS)," Section 18(2)(G), and so as to obtain

(2) a proper balance between the potential for environmental damage, the potential for discovery of oil and gas, and the potential for adverse impact on the coastal zone." Section 18 (3).

The final balancing must be done at the lease sale stage. After the sale has occured, the momentum toward drilling is very difficult to overcome. The OCSLA is curiously illequiped to terminate oil activity after the lease sale stage as the permit process becomes too piecemeal and isolated.

Because Interior is currently performing no balancing between competing interests at the lease sale stage -- but instead trying to lease entire planning areas -- the burden is inappropriately on coastal states to press for deletion of [illegible] sensitive tracts. And when the Department of the Interior partially complies with state concerns, it is almost always at the Final Notice stage -- only 30 days before the sale. As a result, the states have become the sole champions for environmental concerns, even though the Department of the Interior has the stronger mandate to protect our fishery resources, through the OCSLA as well as common law public resource obligations. Because of the recent U.S. Supreme Court decision on consistency, under the Coastal Zone Management Act, states no longer have a meaningful voice in OCS leasing decisions. It is apparent that until consistency is restored, and/or the five year plan is drastically altered, the pressure, and the necessity, for congressional leasing bans will continue.

Conclusion

Although its remarkable biological productivity versus its low oil potential suggest that Georges Bank be very low on any Five Year Plan, it remains toward the top of the current OCS program list. As the resource estimates plummet, each sale is simply more massive than the last.

It is unfortunate that Interior has adopted the position that the entire outer continental shelf must be offered up for lease in a five year period. Because if areas of extreme environmental sensitivity and minimal oil potential were to be leased last, as specified in Section 18 of the OCSLA, Georges Bank would be the first area deleted.

And therefore, the congressional moratoria under discussion merely fulfill the intent of the OCSLA ignored by the present blunderbuss approach to leasing. On Georges Bank, the areas chosen for deletion are the absolutely most sensitive: (1) the canyons are importent lobster habitat and susceptible to toxic pollution accumulation; (2) the shallow crest of the Bank, within 60 meters of depth, is the most valuable fish spawning area and feels the greatest effect from the circular "gyre" current which may retain pollutants; (3) the Great South Channel is important for both fish and the endangered right whales; and (4) the tracts within 50 miles of shore will help protect the Commonwealth's shorelines and important tourist industry.

The legislation removes only eight million acres of the North Atlantic planning area, and leaves fourteen million acres available for lease in upcoming sales. And like the moratoria selected for other areas of the country, the Georges Bank deletions will remove only the most sensitive tracts from leasing, and an ambitious -- but more environmentally sound -- leasing program will remain.

Thank you. Mr. Chairman.

Senator WEICKER. Thank you very much. Thank you all for your courtesy and understanding. Your statements in their entirety will be included in the record, and the committee will stand in adjournment.

Thank you.

[Whereupon, at 1:08 p.m., the hearing was adjourned.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 26, 1984

The Honorable Lowell B. Weicker, Chairman
Subcommittee on Energy Conservation
and Supply
Senate Energy and Natural Resources Committee
Washington, D. C. 20510

Dear Mr. Chairman:

I am writing to present the views of the State of Alaska for your hearing on federal outer continental shelf (OCS) oil and gas leasing. A full explanation of the State's general OCS policy and our comments on particular lease sales are contained in the enclosed letters.

For your information, the State's June 18 letter to Congressman Yates discusses my views on proposed moratoria. My letters of March 27 to Congressman D'Armours and of May 8 to Senator Stevens express our support for S.2324 and H.R.4589, the pending coastal zone management legislation. My January 10 and April 26 letters to Secretary Clark, and the Secretary's March 9 response to me, discuss both general OCS leasing policy and our views on specific Alaska sales. My May 11 letter to Secretary Clark presents comments on the upcoming Beaufort Sea lease sale (#87, Diapir). Finally, the Secretary's June 21 letter and my June 22 discuss the timing of proposed North Aleutian Shelf sale.

I hope that the enclosed letters provide a satisfactory presentation of the State's views for your oversight hearing. If you desire any further information, please feel free to contact me or John Katz of my Washington, D.C. office.

Thank you for your consideration.

Sincerely,

Bill Sheffield

Bill Sheffield
Governor

Enclosures

cc: The Honorable Ted Stevens, U.S. Senate
The Honorable Frank Murkowski, U.S. Senate
The Honorable Don Young, U.S. House of Representatives

GOVERNOR COMMENTS ON BRISTOL BAY O.C.S. LEASING SCHEDULE DECISION
June 22, 1984
No. 84-56

FOR IMMEDIATE RELEASE

JUNEAU -- Governor Bill Sheffield today said he was pleased by a decision delaying the schedule federal sale of oil and gas leases in Bristol Bay by at least seven months. The decision by Interior Secretary William Clark was made in order to gather further information about one of the world's greatest salmon fishing grounds.

"Secretary Clark's decision is a good first step towards amending the Outer Continental Shelf leasing schedule for Bristol Bay. I think this demonstrates we can work productively with the Interior Department to make our concerns known about this critically important fishery," Sheffield said. "I want to emphasize the state is willing to work with the Secretary to gather the needed information we believe is required before any decision is made to offer oil and gas leases in Bristol Bay."

In a letter to Senator Ted Stevens of Alaska, Clark said the seven-month delay was necessary to make sure an environmental study surrounding the proposed 1985 sale "will be based on the soundest possible information available." Clark added that if "major resource uncertainties persist after completion of the draft EIS, the Department will seriously consider a further delay in the sale" beyond the November, 1985 date now set by the Secretary.

The lease sale, previously schedule for April, 1985, in waters called the "North Aleutian" sale area has raised serious concern among state officials and residents. The Governor asked Clark in January for a 10-year delay in the sale, similar to a moratorium placed on any leasing in state waters of Bristol Bay.

MORE

"I'm pleased the Secretary has concluded that we need more information before any final leasing decision is made," Sheffield said. "The state is not seeking a delay in the sale simply for the sake of delay. Many Alaskans have serious reservations about development activities which could harm this important fishery."

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THE SECRETARY OF THE INTERIOR
WASHINGTON

June 21, 1984

Honorable Ted Stevens
United States Senate
Washington, D.C. 20510

Dear Ted:

I reaffirm my commitment to work closely with the State of Alaska on development of the Alaska Outer Continental Shelf (OCS) and specifically the North Aleutian Basin sale proposal about which we have consulted with you. I recognize the importance of fishery resources within Bristol Bay and direct to your attention in materials which follow substantial new information and new proposals designed to address concerns that have been expressed.

As you know, the Outer Continental Shelf (OCS) leasing program is a key element of our Nation's effort to pursue long-term energy security. In the face of declining production, new sources of production such as those that may be found offshore Alaska are essential, even if we are only to maintain existing levels of domestic energy supplies and to prevent increased dependence on foreign oil imports. We are committed to the Congressionally established framework for this vital program and we appreciate your continuing interest and comments.

The staff of the Minerals Management Service's (MMS) office in Anchorage is currently preparing a draft environmental impact statement (EIS) for the proposed lease sale in the North Aleutian shelf planning area. It is particularly important to the integrity of our processes that we complete this EIS so that we will have documented in one place information and analyses necessary to weigh environmental consequences of leasing in the North Aleutian area. We then can make proper decisions on whether to proceed with a lease sale in that area. Staff members have been gathering information on Bristol Bay and its fisheries resources from national and state level sources and from contacts within the industry and the academic community. In order to support their efforts and to ensure the EIS will contain all pertinent data, the Department has funded $1.9 million in studies which are directly aimed at learning more about Bristol Bay. The Department has also funded at least $25 million in other studies which have produced valuable information relevant to the resources of the Bay and which will help in analyzing potential effects on the Bay, should our program go forward.

As a result of our studies program, several documents which are pertinent to the environmental assessment of the North Aleutian shelf area have become or will soon become available. The report, "Proceedings of a Synthesis Meeting: The North Aleutian Shelf Environment and Possible Consequences of Offshore Oil and Gas Development," focuses on fishery resources and the possible effects that a significant oil spill would have on them. This report was received at MMS at the end of May and will be incorporated into the EIS analysis. Additional studies, "Distribution, Abundance, and Biology of Blue King and Korean Hair Crabs Around the Pribilof Islands," and "Simulation Modelling of the Effects of Acute Oil Spills on Commercially Important Fishery Resources in the Bering," will also provide useful data on the major subjects they address. The final report, "Environmental Characterization of the North Aleutian Shelf Nearshore Region," was received in March 1984 and currently is being reviewed. The results of this review will provide additional pertinent information. The National Marine Fisheries Service (NMFS) should also have available this summer additional information on the effects of oil and gas development activity on crab reproduction.

Information on the physical environment in the planning area suggests that the North Aleutian Shelf is of low or moderate risk compared to other leasing areas off Alaska. This is true in the case of ice, wind, and sea states, water depth and shallow gas hazards. Potential operational support areas are closer to offshore tracts than in other Bering Sea areas. Again, I recognize the high value of the fisheries resources in Bristol Bay and this will certainly be a major consideration in the final sale configuration and subsequent operational activities.

I have directed the MMS to work closely with the NMFS, the Fish and Wildlife Service, and Alaska State Agencies to ensure that all the latest data are available for development of the analytical sections of the EIS. In addition, MMS, in consultation with the state, will meet with various fishing interest groups to participate in efforts to identify potential data gaps and to ensure that the EIS process addresses their concerns. If it appears that additional studies would be advisable, we are prepared to commit the needed resources.

I feel the foregoing measures are necessary to ensure that the EIS will be based on the soundest possible information available. The State, in its review of the North Aleutian sale area, questioned several significant data gaps. We have addressed those issues in the enclosure.

In order to accommodate our special effort, the EIS will be delayed by several months. Accordingly, the sale could not be held before November 1985. This is a delay of 7 months from the date scheduled in the original 5 year leasing plan. If major resource uncertainties persist after completion of the draft EIS, the Department will seriously consider a further delay in the sale while information necessary to resolution of those uncertainties is gathered and analyzed.

I am pleased with consultation processes currently going on between the Interior Department and States. It has led to a better understanding of States' positions concerning OCS exploration and development programs and has allowed me to better respond to States' concerns. Reducing the size of the North Aleutian Basin proposed sale area by 83 percent in response to the concerns of Alaskans is illustrative of the Department's willingness to cooperate. I am hopeful you will find the procedures outlined in this letter to be a reaffirmation of our desire to address concerns expressed by your constituents in our effort to comply with both the letter and spirit of the law.

Thank you again for your assistance in our efforts to manage the resources of the OCS in an even-handed manner, as we have been mandated.

Sincerely,

William Clark

Enclosure

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 18, 1984

The Honorable Sidney R. Yates
Chairman
Subcommittee on Interior
and Related Agencies
House Appropriations Committee
B-308 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Yates:

Thank you for your letter of March 28, 1984, and for your interest in Alaska's concerns with the Department of the Interior's Outer Continental Shelf (OCS) Oil and Gas Leasing Program. In my opinion, your interest has focused needed attention on the issue of modifications of the OCS schedule for Alaska. I apologize for my delay in responding to your inquiry. However, we have remained cognizant of the timing of your scheduled markup sessions on the Interior and related agencies appropriations legislation, and wanted our response to be as reflective as possible of the current situation.

On January 10th, I wrote the Secretary of the Interior to explain Alaska's problems with the federal program as it relates to my state. In early March, Secretary Clark provided a written response.

On the basis of this exchange of correspondence and the oral discussions which have also occurred, we believe that the Interior Department has recognized and accommodated several of the State's concerns with the OCS schedule. However, in two important geographical lease sale areas, the State's concerns, unfortunately, have not yet been adequately addressed by the Secretary. These areas are the Diapir Field in the Beaufort Sea and the North Aleutian Shelf in Bristol Bay. In the former, deletions of the technologically infeasible deep water tracts proposed by the Secretary do not address the conflicts between oil and gas activity and important bowhead whale feeding areas and subsistence hunting activity. In the latter situation, the proposed reduction of the sale area fails to address the State's desire to see a deferral of all leasing in the area due to its extremely important biological characteristics, including the world's largest red salmon run. These matters are discussed in greater detail in the accompanying correspondence which I sent to Secretary Clark on May 11, 1984.

I firmly believe that implementation of a sound federal OCS program is in the best interest of both the federal government and the State of Alaska. However, Alaska's legitimate concerns can and should be accommodated within the context of this national objective. Accordingly, we have continued to express the State's interests in our comment opportunities under Section 19 of the OCS Lands Act Amendments. In addition to our Section 19 efforts, we will avail ourselves of those comment opportunities which remain in the aftermath of the U.S. Supreme Court decision on state coastal zone consistency review. Unfortunately, those opportunities are constrained now to post-lease sale federal decisions.

On the basis of the efforts described above, I am optimistic that the Interior Department will address many of our concerns with the proposed Diapir Sale. In any event, the final Notice of Sale for the Diapir will soon be published, and at that time, the State will be in a better position to ascertain the success of our continuing dialogue with the Department on this sale. I am constrained to say that we are less optimistic that our remaining concerns with the timing of North Aleutian sale will be addressed. To date we have been informed by the Department that additional modifications to this sale, if any, will occur only after the Environmental Impact Statement process and the pre-lease discussion analysis.

With regard to federal legislation which might alleviate our concerns, I am strongly supportive of efforts to remedy the recent U.S. Supreme Court decision which ruled that coastal states may not review OCS lease sales for consistency with state coastal zone management plans. I firmly believe that it was the existence of these review responsibilities that enabled the State to work out our concerns with the Department of the Interior on previous sales off of Alaska's coast, thus facilitating responsible and timely OCS development. For your information, I have enclosed a copy of a prior letter which I sent to several members of Congress on proposed legislation to restore the State's consistency review process.

We also intend to continue our pursuit of legislation which would establish a program for sharing a percentage of OCS revenues with the states. The enactment of such legislation would help coastal states and local communities to plan for and minimize socio-economic impacts resulting from offshore development. We in Alaska have been disappointed that this vitally needed legislation has not yet been enacted into law.

You have also expressed interest in draft legislation which I might suggest for inclusion in the FY 85 Interior appropriations bill. Given the current scheduling of lease sales, only the North Aleutian Shelf sale might be affected by such an approach.

At this time, I am not prepared to recommend the enactment of moratorium legislation relating to the North Aleutian Shelf sale. We have consulted with the Alaska Congressional delegation and they have each told us of their opposition to the moratorium approach. Their opposition has been a factor in my thinking about this option.

I do intend to continue to pursue those other legislative and administrative remedies discussed in this letter. Of course, I have directed all State resource agencies to participate fully in the Interior Department's preparation of an Environmental Impact Statement for the North Aleutian Shelf Sale. In my opinion, such participation can and should demonstrate the reasons for the administrative delay necessary to accomplish specific scientific studies of hydrological characteristics and fisheries and wildlife populations before leasing in this important area. However, I still believe that the Secretary should address our concerns on the timing of this sale prior to entering into the EIS process, and I will continue to advocate this position with him.

If you desire any further information on the subject of your inquiry, please contact me or John Katz of my D.C. office at 624-5858.

Again, thank you for your interest in the implementation of the OCS program with respect to my state.

Sincerely,

Bill Sheffield

Bill Sheffield
Governor

Enclosures

cc: The Honorable Ted Stevens, U.S. Senate
The Honorable Frank Murkowski, U.S. Senate
The Honorable Don Young, U.S. House of Representatives

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 27, 1984

The Honorable Norman D'Amours
Chairman
Oceanography Subcommittee
House Merchant Marine and
  Fisheries Committee
1334 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Your committee has under its consideration H.R.4589, which would authorize amendments to the federal Coastal Zone Management Act (CZMA) of 1972, as amended. The impetus for this legislation is the recent Supreme Court opinion which narrowly ruled that the Department of the Interior's Outer Continental Shelf oil and gas lease sales did not need to be reviewed by states for consistency with federally approved state costal zone management plans. As the Governor of a coastal state with over a third of the nation's shoreline, and facing almost half of the nation's upcoming federal OCS lease sales, I would like to share these thoughts with you.

Alaska, like other coastal states participating in the coastal zone management program, has the logical perspective that events such as oil and gas lease sales set in motion a chain of events that would almost invariably affect our coastal areas.

There is no doubt that the entire OCS process -- from preparing for the initial lease sale, through exploration to any development and production activity -- will impact state and local planning capabilities. In particular, the lease sale stage of the process offers the only opportunity to analyse and review the specific areas that are to be offered for lease. Additionally, although the Supreme Court ruled that no significant property right is conveyed to a lessee at the time of the lease sale, we believe that it is still important that the governmental entities involved establish as clearly as possible prior to the lease sale what the post-lease rules will be for lessees. Thus, it appears logical to us that the state should review the lease sale -- both its location and the stipulations for exploration and development activity -- for consistency with the state's coastal program. For these reasons, we do not regard the review capabilities of post-lease activities only which are afforded states under Section 307(c)(3) of the CZMA as being adequate to address all state concerns arising from the overall OCS process.

Although the Department of the Interior disagreed with the this viewpoint, and prevailed in the eventual Supreme Court decision, Alaska was the first state which had an OCS lease sale (Sale 71, held in October 1982) submitted for our consistency review. Two more sales were submitted and reviewed since that time. I am happy to report that the dialogue between DOI and the state which occurred during those reviews for consistency resulted in all three lease sales moving ahead on schedule without state opposition.

I believe that the balance struck in those instances was reflective of the national interest and the need for a strong OCS oil and gas program, while also recognizing and protecting legitimate state interests as well. I also believe that the coastal zone consistency review is the proper forum for this dialogue. The effect of requiring consistency to the maximum extent practical encourages the necessary motivation for striking the proper balance between state and national interests.

Thus, the Supreme Court ruling appears to us to dismantle a process which was not in need of fixing. Due to the ambiguity any court ruling brings, there is now uncertainty over whether any federal activity occurring outside the three mile limit can be reviewed by a state for consistency purposes. I do not believe that such a situation, and particularly the continued exclusion of the OCS lease sales, will help the state/federal partnership which your committee has done so much to foster, and which the CZMA is designed to implement.

I urge you to amend the CZMA so that the situation which prevailed prior to the Supreme Court decision will be the law of the land. In our judgement the long run interests of both states and the federal government will be best served by a return to the previous status quo. The spirit of consultation, coordination, and compromise characterized by the consistency process should be maintained. Failure to remedy the Supreme Court decision could serve to generate a feeling of mistrust between states and the federal government, and could eventually erode the considerable progress made to date in state/federal relations.

I look forward to your Committee's expeditious action on this important issue to coastal states.

Sincerely,

Bill Sheffield

Bill Sheffield
Governor

cc: The Honorable Don Young, U.S. Representative

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 11, 1984

The Honorable William P. Clark
Secretary of the Interior
C Street, Between 18 and
19 Streets NW
Washington, DC 20240

Dear Mr. Secretary:

As a follow-up to our conversations last week in Fairbanks, and pursuant to Section 19 of the Outer Continental Shelf (OCS) Lands Act as amended, I would like to take this opportunity to comment on the proposed Notice of Sale (NOS) for Lease Sale 87 in the Beaufort Sea.

I was pleased with your decision to delete certain western and deep-water tracts which were of concern to the State. However, your decision did not sufficiently address our concerns with those tracts east of Barrow and in the vicinity of Kaktovik (refer to enclosed Figure 1). During the spring and fall, the bowhead whale migrates through these areas and is hunted for subsistence use by the Inupiat of Barrow and Kaktovik. In addition to hunting of the bowhead whale, these areas also are important to the Inupiat for subsistence hunting of ringed seals, polar bear, and migratory birds.

Due to the size of the area being offered for lease and the importance and various uses of the sale area, it has been extremely difficult to effectively tailor certain concerns to such a large area. The State generally prefers consideration of mitigating measures in lieu of area deletions whenever the available scientific information or existing technological capabilities enable us to do so. However, I believe that a decision to defer leasing of these areas for at least two years is necessary to (1) evaluate these areas as discrete areas rather than as part of a very large planning area; (2) better define traditional subsistence use areas; (3) adequately study and evaluate the effects of industry-related noise and disturbance on subsistence hunting activities and marine mammals; (4) gain experience and improve on the existing technology and capabilities to operate in multi-year pack ice; (5) further refine oil spill cleanup and containment capabilities; and (6) permit the concurrent and cooperative development of mitigating measures with the State when it considers the leasing of adjacent near-shore acreage.

If these issues are sufficiently addressed during the next two years, we will be in a better position to reevaluate our concerns when these deferred areas are reconsidered for sale.

With regard to the proposed mitigative measures, I do support adoption of all the stipulations and Information to Lessees (ITLs) contained in the proposed NOS. I believe these measures will provide necessary protection for fish and wildlife resources in the area. In addition to our requested tract deferrals, I also recommend that you prohibit all exploratory drilling activities during the fall bowhead whale migration period, including drilling above the threshold depth. This requirement was adopted for Lease Sale 71 to provide necessary protection to the bowhead whale, and is also consistent with the seasonal drilling requirement for our own state waters in the Beaufort Sea.

In regard to Section 8(g) of the OCS Lands Act, I would like to reemphasize a number of the points included in my April 18, 1984, letter to Mr. William D. Bettenberg. Since we have not been able to reach an agreement on the equitable sharing of bonuses, royalties, and rentals derived from the leasing of Section 8(g) tracts, I request that you include a provision in the Information to Lessees notifying successful bidders that the Department of the Interior and the State of Alaska have not yet reached an agreement as contemplated in Section 8(g) of the OCS Lands Act for all tracts within three miles of the seaward boundary of Alaska. Successful bidders may be required to join a unit with Alaska lessees or, if these lands remain unleased, with the State of Alaska.

In addition, until such time that an agreement is reached for the reasons described in my April 18 letter to Mr. Bettenberg, I am requesting that you place in escrow all bonuses, royalties, and rentals attributable to the leasing of all tracts which lie, in whole or in part, within three miles of the State of Alaska seaward boundary, until such time as the State and the Federal government reach a mutually agreeable settlement regarding the equitable division of these revenues.

I feel confident that a satisfactory agreement can be worked out regarding the equitable sharing of both past and future revenues attributable to the leasing of Section 8(g) tracts.

Finally, I have two requests. First, that you consult with the State and seek our concurrence, to the extent permitted by law, on future decisions regarding the method of transportation to be utilized by lessees in the event of production on tracts leased from this sale. Second, it would also seem reasonable that the State and North Slope Borough be given the same status and representation on the Biological Task Force for this sale as provided for in other Federal sales areas such as Norton Sound and the St. George Basin.

Thank you again for the opportunity to comment on this proposed Federal lease sale. I am hopeful that current ongoing discussions between the State, the North Slope Borough, and your staff will result in further progress toward resolving the above remaining issues prior to the sale date. I look forward to continued cooperation and discussion with you in matters regarding the conduct of offshore lease sales.

Sincerely,

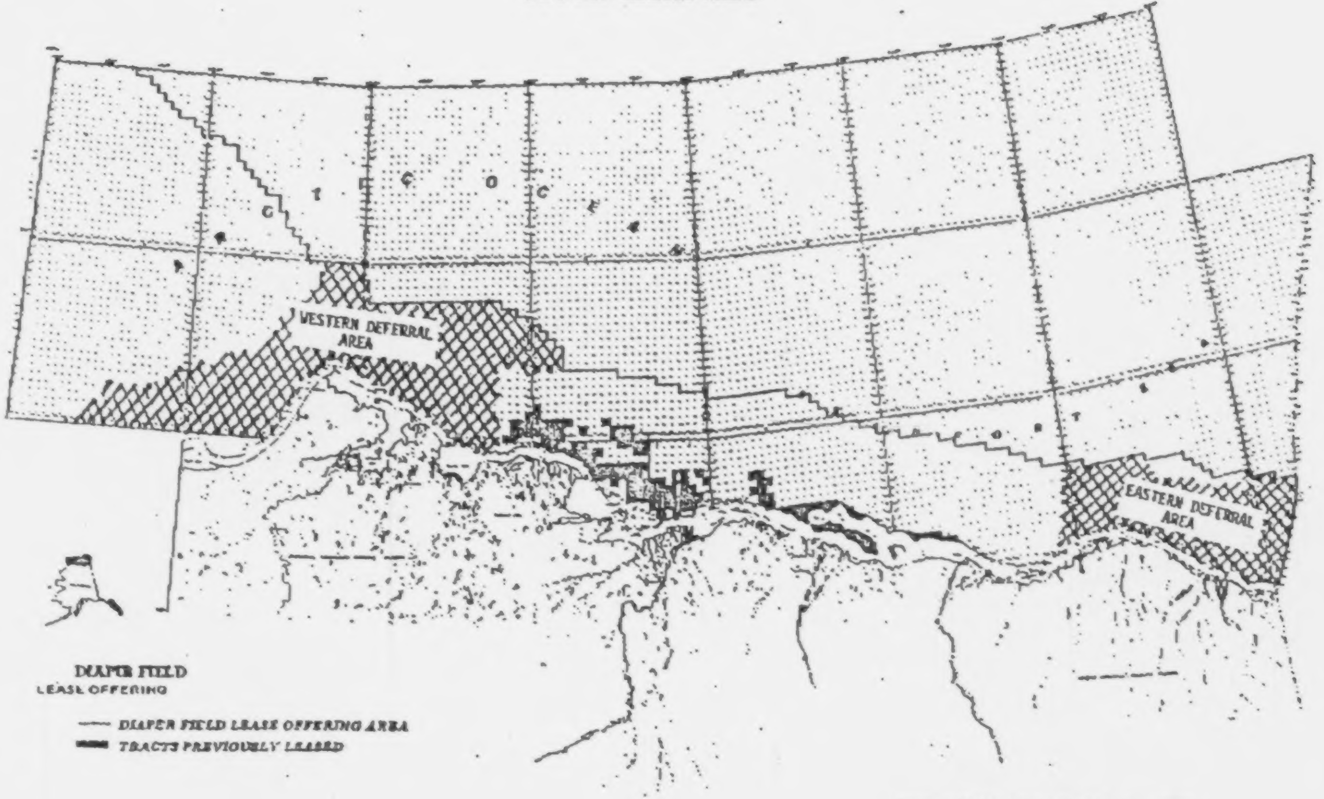
Bill Sheffield

Bill Sheffield
Governor

Enclosure

FIGURE 1.

DEFERRED LEASING AREAS


A R C T I C O C E A N
B E A U F O R T S E A
WESTERN DEFERRAL AREA
EASTERN DEFERRAL AREA
DIAPIR FIELD
LEASE OFFERING
DIAPIR FIELD LEASE OFFERING AREA
TRACTS PREVIOUSLY LEASED

Source: MMS, Alaska OCS Region, 1983

[illegible]
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 8, 1984

The Honorable Ted Stevens
United States Senate
147 Russell Office Building
Washington, D.C. 20510

It is my understanding that S.2324, which would amend the Coastal Zone Management Act to restore Alaska's right to review direct federal actions for consistency with our coastal zone management plan, may be considered tomorrow by the Senate Commerce, Science and Transportation Committee.

The restoration of Alaska's consistency review responsibility for these activities would return a crucial tool to the State. For example, it would enable the State to continue to positively influence OCS development, as we have done in the past during such reviews. The consistency review has given the State the ability to assure that the Department of the Interior addresses legitimate State concerns prior to leasing off our coast. We had been able to accomplish this to date with no delays in the lease sales themselves.

It is important that responsible OCS leasing continues to move forward; it is equally important that the consistency review process continue to allow meaningful input for Alaska's concerns at the lease sale stage.

Your support for the basic approach incorporated into S.2324 would be greatly appreciated.

Sincerely,

Bill Sheffield

Bill Sheffield
Governor

cc: Senator Robert Packwood
Senator Ernest Hollings

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 26, 1984

The Honorable William P. Clark
Secretary of the Interior
C Street, between 18th and
19th Streets NW
Washington, DC 20240

Dear Mr. Secretary:

As a follow-up to our conversation late last week, I wanted to inform you of the State of Alaska's position with regard to your response on the federal OCS leasing program. I have also enclosed a copy of my press release issued last month.

While I appreciate your prompt decision and the courtesy and cooperation which you and your staff have extended to us throughout the decision-making process, I do have certain continued concerns regarding specific positions outlined in your letter. I also wish to apprise you of the position which the State will take in subsequent phases of the lease sale program, including our comments pursuant to Section 19 of the Outer Continental Shelf Leasing Act and pursuant to Section 307(c)(3) of the Coastal Zone Management Act. Additionally, I want you to be aware of the position we will take if called upon to do so in Congress or in other forums.

My specific comments on your letter are as follows:

Area-wide Leasing

It is difficult to determine at this time whether the State's concerns with area-wide leasing have been satisfactorily addressed. This is because your letter is not sufficiently detailed to ascertain if our three specific problems have been resolved; that is, ensuring the availability of sufficient data to make informed decisions early in the process, limiting the overall size of sale areas, and constricting the configuration of the lease sale to one part of a planning area. A definitive answer to these questions must await actual implementation of your "early negotiation" process. If such implementation is sensitive to State concerns, a satisfactory resolution could be achieved on this issue.

Public Participation

We have been advised that the Department will hold more public hearings earlier in the process and will require the attendance, as appropriate, of higher-level DOI officials. If these things occur, our problems in this area will have been resolved. Your Alaska office has recently notified me of the scoping meetings scheduled for western Alaska in May.

Earlier State Voice in Decision-Making Process

We are pleased that coastal states have apparently been granted an earlier voice in the federal decision-making process respecting the OCS program.

OCS Revenue Sharing and OCSEAP Funding

Frankly, I was disappointed by your decision not to support OCS revenue sharing legislation or increased funding for the OCSEAP in Alaska. However, I understand that you are reflecting the longstanding position of the Reagan Administration on these issues. Since I know that you have been exposed to the various arguments, pro and con, on prior occasions, I will not belabor the reasons for the State's position here, except to express the hope that if Congress passes legislation in either subject area, you would be willing to reconsider the merits at the time. In this regard, I have recently been advised that you will be meeting with other members of the Reagan Administration to reexamine your current position. I am hopeful that this reconsideration will lead to a change in policy, perhaps even earlier than Congress' transmittal of legislation to the President.

Diapir Lease Sale

I appreciate your deletion of certain western and deep-water tracts which were of concern to the State. However, your decision did not address the State's problems with tracts east of Barrow and east of Kaktovik. It is in these two areas that technologically feasible oil and gas activity most severely conflicts with other resource values. Further, the preliminary notice of sale for the Diapir area proposes a revised and, in large part, relaxed seasonal drilling restriction. It is also my understanding that DOI rejected a compromise proposal which would have permitted the leasing of tracts east of Barrow, subject to appropriate onshore and offshore stipulations, and would have deferred for two years the leasing of tracts east of Kaktovik. Hence, major concerns of the State and North Slope Borough have not been addressed in this sale area. I am hopeful that the current discussions between representatives of the State, the North Slope Borough, and the Interior Department may result in further progress with respect to the remaining issues.

Barrow Arch

I appreciate your decision to delete the first Barrow Arch sale, and believe that the decision resolves our immediate concerns in that geographic area.

Navarin Basin

The Department has reflected the State's concerns by including them in ITLs (information to lessees) rather than in stipulations. While stipulations would have been preferable, ITLs appear to address our concerns in light of the powers granted the State in Section 307(c)(3) of the Coastal Zone Management Act. However, we remain puzzled as to why the composition of the Biological Task Force (BTF) established for this area was not patterned after BTFs created for other Alaska areas, as we had requested.

St. George Basin

We were disappointed by your decision to not delay this sale for two years beyond the award of leases in the first sale. Interestingly, most of the industry appeared to support a two-year delay, since such a hiatus between sales would constitute a logical exploration sequence.

North Aleutian Shelf

We were pleased by your decision to eliminate approximately 83 percent of the proposed sale area. Unfortunately, your decision to retain 17 percent of the sale area and to refuse the delay requested by the State does pose certain problems. First, the oceanographic relationship between the Cold Bay area and Bristol Bay proper is not well understood at this time. Second, we have been advised that impacts on marine mammal populations and some fish migrations are possible. Third, the timing of the sale does not permit the planning and information dissemination efforts necessary to build the consensus for leasing which the State believes is necessary prior to leasing in this area. Accordingly, I am compelled to say that the decision does not resolve the State's very real concerns in this area.

By means of this letter, I hope to foster the constructive dialogue which has occurred thus far between the Department and the State on the OCS issue and to make you aware of my position. I continue to believe that the State's concerns are well founded and that they could be addressed without jeopardizing the national effort to develop new sources of oil and gas, an objective which I very much support. In any event, I would appreciate any further perspectives which you might have on these complex subjects. Thank you for your consideration of these additional comments.

Sincerely,

Bill Sheffield

Bill Sheffield
Governor

Enclosure

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU
BILL SHEFFIELD
GOVERNOR

NEWS RELEASE

FOR INFORMATION CONTA
Pete Spivey
Press Secretary
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Office of the Governor
Pouch A, Juneau, AK 9981
Bus. Phone (907) 465-350

GOVERNOR RESPONDS TO INTERIOR SECRETARY
March 9,1984
PR 84-19

FOR IMMEDIATE RELEASE

JUNEAU - Governor Sheffield issued the following response to federal Outer Continental Shelf (OCS) oil and gas leasing policy changes announced Friday by Interior Secretary William Clark:

"I'm grateful that the Secretary agreed for the need for more public participation in the OCS leasing process; that he agreed to schedule no more than three OCS sales off Alaska each year; and that he removed the Barrow Arch sale from the current five-year schedule.

"And while I'm encouraged by the general tone of Secretary Clark's letter to me announcing these changes, I am disappointed he didn't see fit to accomodate more of Alaska's concerns.

"For example, I sought increased funding for environmental studies to keep pace with increases in the amount of acreage offered for lease, but the Secretary does not support that additional funding. Also, while we believe providing a share of OCS revenues to coastal states to help offset the impact of offshore development is critical, the Secretary stated his opposition to OCS revenue sharing legislation pending before Congress.

"Although we will need to review them further, other changes he announced for the St. George, Bristol Bay and

-MORE-

Diapir Field areas fail to adequately address the state's concerns over those proposed lease sales.

"I am pleased, however, by the Secretary's expeditious response to my requests and his willingness to hear out Alaska's concerns. If nothing else, he has at least laid the groundwork for a vastly improved working relationship with Alaska and other coastal states."

-30-

THE SECRETARY OF THE INTERIOR
WASHINGTON

March 9, 1984

Honorable Bill Sheffield
Governor of Alaska
Juneau, Alaska 99811

Dear Governor:

Thank you for your constructive recommendations concerning the Outer Continental Shelf (OCS) Oil and Gas Leasing Program off Alaska.

As you know, our Nation's offshore oil and gas development has been important to us for nearly a century, having begun along the coast of my native California some 90 years ago. It has become a particularly important contributor to our Nation's energy production in the past three decades. The energy crises of the 1970s provided us with a forceful lesson of the need to develop more fully all of our energy resources, especially the oil and gas of the OCS.

Congress established the framework for the Federal program in 1953 and updated it in 1978. This is a good program. We have been working to implement it in the spirit intended by Congress, to increase energy production for the sake of our economy and our national security while protecting the environment and the other precious resources of the oceans and coastal areas.

One critical element in this program is consultation with the States over how best to accomplish these objectives. In this regard, we appreciate the thoughtful comments from you and the Alaska congressional delegation.

We are initiating some changes which will resolve many of the issues raised by you and the delegation. These changes will enable State and local government and our Department's analytical resources to be focused on areas believed to have the greatest potential for oil and gas production.

I certainly understand your desire for early participation in the prelease sale process, and throughout the entire process. It is clear to me as well that such participation is essential so that we at Interior can make sound decisions and so that the OCS participants can move forward in greater harmony. We are taking steps to improve the process so that we can work closer together for the benefit of Alaska and the entire Nation.

Pursuant to my general review of the OCS program, our consultation with the Alaskan congressional delegation, and consideration of your recommendations, we are initiating procedures to implement the following actions:

1) Delete Sale 85, Barrow Arch, from the current 5-year schedule to provide for a further assessment of operations in heavy ice conditions;

2) Delete the areas of Sale 92, North Aleutian Basin, of greatest concern to Alaska in Bristol Bay and focus attention on the area which has highest geologic potential and received heavy nominations from industry. This area, which would become the proposed action for further analysis through the EIS process, is located south of 56° 30' and west of Port Moller, and constitutes a reduction of about 83 percent of the initial planning area identified in the Call for Information. All of Bristol Bay east of Cape Newenham and Port Moller would be deleted. This modification of Sale 92 necessitates revised environmental analysis which will cause the sale to be delayed from April to August 1985;

3) Separate, and thereby better focus the environmental analysis for Sale 89, St. George Basin, from the analysis on Sale 92, North Aleutian Shelf, and provide opportunity for greater participation for Alaskan citizens through public hearings on both sales. Sale 89 would be rescheduled from December 1984 to April 1985;

4) Eliminate areas of projected low hydrocarbon potential from the proposed Notice of Sale for Sale 87, Diapir Field. This would defer to future sales nearly half of the acreage in the planning area, including substantial acreage which the State has proposed deferring. We will narrow the scope of our proposed lease sale to areas of high industry interest and hydrocarbon potential including areas adjacent to recent discoveries. Interest continues to be high in the area as evidenced by the recent request to expand the Point Thomson Unit;

5) Issue through the Federal Register a request for current information on industry interest in leasing in the Gulf of Alaska/Cook Inlet and comment on whether the next sale in that area, Sale 88, currently scheduled for October 1984, should proceed, and if so, in what form. This request is being made in light of the poor exploration results to date and substantial relinquishment of existing leases by industry; and

6) Incorporate in the final Notice of Sale for Sale 83, Navarin Basin, language which notifies lessees that the State of Alaska may determine the adequacy of oilspill contingency plans and transportation, storage, transfer and loading facilities through its consistency review under section 307(c)(3) of the Coastal Zone Management Act whenever they affect the coastal zone. Similar provisions can be included in future sale proposals.

I must point out, however, that any of the above changes in dates or a cancellation of a sale can only be made in accordance with congressional mandate in section 18 of the OCS Lands Act. A final decision on such changes must await the results of our analyses of those procedures. It is my hope that these changes can be accommodated while providing needed access to the promising OCS areas, maintaining stability in the schedule, and helping to assure the proper balance among regions required by the OCS Lands Act. These changes would reduce the number of OCS sales in Alaska to no more than three per year as requested.

Further changes beyond those described above would risk the possibility of providing insufficient opportunities for exploration and thus insufficient incentives for industry to keep an adequate supply of drilling rigs and maintain other exploratory activities in the Alaska OCS area. This would not be in the national interest since the Department believes the Alaska OCS has a high potential for oil and gas, including billion barrel fields. A departure of rigs from Alaska also could adversely affect the economic climate for development in State waters.

I will keep your recommendations in mind in considering other individual Alaskan OCS lease sales. Furthermore, we will be sensitive to your general recommendations as we work on formulation of the next 5-year program.

Two of your recommendations, concerning OCS revenue sharing and expanding the OCS environmental studies program, involve Federal revenues. While I will continue to assess these ideas, I am not convinced that additional expenditures are necessary or, given the current Federal budget situation, prudent. I do not believe that additional sharing of Federal OCS revenues as formulated in pending legislation, would be in the long-term interest of the Nation.

Through fiscal year 1983, the Department has spent $172 million on studies in Alaska. And funding for Alaska studies in the order of $10-$12 million per year is anticipated over the next few years. While an expansion is unlikely, we would be pleased to receive and will consider fully any recommendations you have to help ensure that funds spent are allocated to the most important Alaska studies.

I am in full agreement with your suggestion to provide greater public participation in the OCS leasing process. To that end, we have modified the prelease process to assure additional opportunities for consultation. In particular, we are changing the process by issuing the Call for Information one month earlier for all sales and, to better accommodate analysis of environmental issues, an additional four months earlier for sales off Alaska. We are beginning an expanded environmental scoping process concurrently with the Call. We also are extending the comment period for the Call from 30 to 45 days and for the draft EIS from 45 to 60 days.

I enjoyed our recent visit and look forward to meeting with you and the congressional delegation in Alaska within the next several months.

Sincerely,

William Clark

William Clark

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 10, 1984

The Honorable William Clark
Secretary, Department of the Interior
Interior Building
18 and C Streets, Northwest
Washington, DC 20240

Dear Mr. Secretary:

The purpose of this letter is to convey to you the concerns that the State of Alaska has with the implementation and pace of the Department of the Interior's current Five-Year Oil and Gas Leasing Program. As we discussed briefly in Las Vegas late last year, I believe it wise that we consult early and frequently on the impacts of the Five-Year Program on the citizens of Alaska, so that your subsequent decisions can most equitably balance State and national interests.

I appreciate the interest you have expressed in such consultation with us on this important program, and look forward to working closely with you as you give consideration to our concerns. I am aware that you are responsible for integrating our views with those of other sectors and interests as you implement the mandate of the Outer Continental Shelf Lands Act and Amendments (OCSLAA) to explore the oil and gas potential of the Outer Continental Shelf (OCS). Since I respect the difficulty of this task and your obligation to develop a national program, I believe a clear and concise articulation of Alaska's position on the current program will assist you in this regard.

INTRODUCTION

Many of Alaska's concerns with the program have been long-standing, and I reiterate them here to reinforce the seriousness with which we Alaskans view them. However, I believe it important for you to know that all the concerns I relay have resulted from close scrutiny of the Five-Year Program's impact on Alaska as seen through the goals and policies of my Administration. It is also important to emphasize that the State of Alaska, and in particular my Administration, has been and will be supportive of efforts to explore public lands expeditiously for oil and gas potential. For State-owned lands, the State has its own well-established leasing program. On Federal initiatives, I have worked diligently, if sometimes contentiously, with your predecessor to ensure that oil and gas development can proceed in Alaska in a timely manner while recognizing and accommodating other important resource values.

PRE-SALE PROCESS

Our first concern with the current Five-Year Program revolves around the process used in its implementation. The current areawide leasing procedure, known as "streamlining," severely undercuts the pre-sale planning process by shortening the length of time between the Calls for Information and the lease sale date from three years to two years and by vastly expanding the acreage to be analyzed in the pre-sale process through the use of "areawide" offerings. Rather than delineating the probable size and relative interest of any sale offering through a Call for Tract Nomination procedure, entire planning areas--sometimes exceeding 100 million acres--are identified for analysis and possible offering. The Department of the Interior's scarce internal resources are then stretched critically thin in an attempt to broadbrush an analysis of the entire area in the EIS for the sale.

Review of the actual sales conducted to date under this process indicates that far, far less than this vast acreage is actually leased by industry. The Department's rationale for the greatly increased size of initial offerings has been that such offerings will facilitate and reward superior exploration strategies. However, our analysis suggests that modest increases above historical levels in actual offerings could accomplish this goal, if industry interest and governmental planning were focused on the most promising acreage early in the pre-sale process. I envision a tract nomination process which targets high-potential areas, but restricts actual sale offerings to limited and geographically proximate areas of manageable overall size. The research and sale preparation efforts of State and local governments, as well as your own Department's, would then be focused on this reasonable sale area early on in the process, with greater practical results and much less public anxiety over the sale since the entire planning area would not be considered for lease at one time. We urge you to explore ways to offer promising areas without using an approach that overwhelms State and local governments, as well as dilutes unnecessarily the Department's own analytic prowess, without commensurate benefit to increased energy exploration.

Changes in the pre-sale process are also necessary to facilitate the solicitation and consideration of the views of affected states sooner and more effectively in the consulation you are required to engage in under the OCSLAA. I am aware that some congressional initiatives have been introduced that would strengthen a Governor's voice in the Five-Year Program. I have not yet communicated my views to the Congress on these points, preferring to work administratively with you. Yet I do believe the current streamlined and areawide offerings preclude effective consideration of governors' views early in the process. The net result of these procedures has been to encourage confrontation and even litigation, especially with states adjacent to frontier areas. I am extremely heartened by your recent actions regarding sales scheduled in Georges Bank and off the southern California coast. I view your decisions there as completely representative of the spirit of effective State/Federal consultation I am requesting here.

Such early consultation will make easier the likely negotiation which will occur between the Department and any affected state on a sale-by-sale basis. Discussions about sale stipulations and tract deletions will be more constructive if begun earlier, and if conducted over lease sale offerings of a reasonable size. Thus, I encourage you to devise a pre-sale process which ensures an early and meaningful role to the views of governors of affected states.

PACE OF LEASE SALES

Our second major area of concern is with the actual pace of the scheduling of sales in the current program. I am recommending guidelines for the overall scheduling of sales off Alaska's coast, and changes to selected Alaska sales currently scheduled for lease. We ask that these recommendations be reflected in changes to the current schedule and in the development of the schedule beyond its current end date of June 1987.

We believe that three sales per year is the maximum number that the State and our local communities can realistically be expected to prepare for. Four sales are presently scheduled in 1984 and 1986, but to present this in even more dramatic form, from March 1984 to April 1985 six sales are scheduled off of Alaska's coast. Since these are areawide offerings, over 300 million acres will be potentially considered for sale in this 13-month period. To analyze and prepare for sales of this number and magnitude imposes a demand upon us that we cannot meet and still address our public interest responsibilities.

The General Accounting Office's recently updated report on the Mineral Management Service's (MMS) capabilities to implement the current Five-Year Program in Alaska also casts serious doubts on your own Department's ability to conduct this many sales in a manner consistent with the public interest. Due to internal budget constraints, the MMS personnel assigned to Alaska's OCS appear to be insufficient for their greatly expanded responsibilities under the accelerated program, according to the report. The effects of streamlining, which reduce the time available to MMS for sale analysis, and areawide offerings, which enlarge the area to be studied, could logically be offset only by a significant increase in personnel. Such an increase has not occurred, and, unfortunately, we at the State level have observed the inevitable decline in the quality of MMS pre-sale documents and public involvement opportunities. Since much of what the State and local communities use to assess any one lease sale is contained in MMS-originated documents, my recommendations on pace of sale offerings is reflective of the need for your Department to be able to produce adequate materials for us to respond to.

Thus, while three sales per year is a maximum figure we would recommend on an annual basis, no more than ten to twelve sales off Alaska's coast should occur within any five-year period. These annual and cumulative totals would, of course, include reoffering sales if they were designed to offer significant acreage in sensitive frontier areas such as exist off Alaska.

In addition, we recommend that there should be a period of at least two years inbetween the awarding of leases from a sale and the conduct of a subsequent sale in the same area or basin. For the remainder of the current Five-Year Schedule, this recommendation, if adopted, would necessitate rescheduling the second St. George sale (now scheduled for December 1984) until at least mid-1986, since the Ninth Circuit Court of Appeals has agreed recently to stay the awarding of leases from the first sale pending its review of the Federal district court's decision. Such a deferral of the second St. George Basin sale is necessary to incorporate the experience and data results from the initial exploration efforts prior to offering such a productive fisheries area for lease a second time.

With regard to the first entry into specific frontier basins, I have recommendations on two of them that differ from the current schedule: Barrow Arch and North Aleutian Basin.

Barrow Arch: The Chukchi Sea remains one of the least understood areas of the OCS nationwide. The National Petroleum Council's U.S. Arctic Oil and Gas Study estimates that it will take five years longer to reach production in the Chukchi Sea compared to the Bering Sea, primarily due to more severe ice conditions which impose engineering constraints. We respectfully disagree with MMS's assessment of the adequacy of sea ice research and biological and environmental information now available for decision-making on the first Barrow Arch sale, scheduled for February 1985. A two-year delay in this first entry to 1987 would enable valuable scientific data interpretation and synthesis efforts of available information to continue. In addition, research and data collection efforts still necessary to provide a sufficient decision-making base for this area could be initiated and completed by the 1987 sale date, but are not feasible by 1985. The State has concluded that late 1987 is an appropriate date for consideration of leasing in state waters adjacent to Barrow Arch. Many of the resource information needs are similar for both Federal and State leasing decisions, and, in general, offshore operating conditions in this area are more severe than near-shore ones. It is appropriate that we coordinate our research efforts, so that our respective programs in this area can benefit from synthesis efforts conducted at approximately the same time. I urge you to consider the merits of approaching this frontier area in coordination with the State's leasing program.

North Aleutian Basin: The first sale in the fisheries-rich North Aleutian Shelf, or Bristol Bay as it is commonly known by Alaskans, is now scheduled for April 1985. This area contains some of the most productive fisheries grounds in the world. Species available include several varieties of bottomfish, salmon, halibut and herring. Other significant resources include various marine mammal species, such as whales, seals and sea lions. There is a vigorous commercial fishing catch of all listed fish species. For sockeye salmon alone the 1983 Bristol Bay season saw the harvest of a record 34 million fish. Alaska's coastal residents also harvest several of the fish species and some of the marine mammals for important subsistence purposes. As great as the current level of utilization is in the Bristol Bay and the southeast Bering Sea, the ultimate fisheries resource potential there is even greater. In the future we hope to expand the ability of this area to serve as a renewable storehouse of protein for the rest of the country, as well as Alaska.

Your predecessor deleted an earlier proposed North Aleutian sale in partial response to Alaska's concerns that no leasing in this area be scheduled. However, given the relatively low hydrocarbon potential for the area and the internationally recognized fisheries values of the area, continued deferral is warranted. In support of this recommendation, I refer you to the Bristol Bay Cooperative Management Plan (BBCMP), mandated under the Alaska National Interest Lands Conservation Act of 1980, which is nearing completion. The document will be presented to the Secretary of the Interior and the Governor of Alaska for concurrence sometime in 1984. I have at this point endorsed publicly the conceptual thrust of the plan. One of the plan's specific recommendations is to defer any leasing within state waters in Bristol Bay until 1994, at the earliest. I agree with this recommendation and ask that you defer any Federal leasing in the North Aleutian Basin until at least that date, as well. Such congruence between our respective policies in this area is reasonable and should be expected given the ecological and fisheries habitat continuity between the North Aleutian Shelf and the Bristol Bay near-shore area.

I cannot emphasize enough that offshore oil and gas activities in this extremely vital area should be initiated only after all precautions have been taken to minimize conflicts between the existing fishing industry and the new oil industry. This will necessitate thorough and up-to-date research efforts, demonstrated technological capabilities, and exploration efforts having been instituted first in other less-sensitive or biologically productive areas. We believe that deferral of both State and Federal leasing in Bristol Bay until at least 1994 should provide enough time for these tasks to be accomplished and will enable full public participation in the decisions which need to precede the initiation of oil and gas development, if any, in this area. I sincerely hope that you will be able to share this timetable with us.

Other Sales: The State approaches each specific sale scheduled off its coast on a case-by-case basis. Since we have consultative responsibilities with the Department under the OCSLAA and legal responsibilities under the Coastal Zone Management Act (CZMA), it is both proper and necessary that we engage the Department in negotiations over the conduct of each sale. This dialogue can include topics such as lease sale stipulations, tract deletions, and Information to Lessees which are needed to protect the State's interests or to allow the sale to proceed in accord with applicable State-administered laws. It is important to me that all concerns between the State and the Department that can be reconciled, be done so by the time of issuance of the Final Notice of Sale. Such clarity on where we all stand at that time is fair for both the public and the oil industry. Currently, negotiations are underway with the Department now on two rapidly upcoming sales, the Navarin Basin (3/84) and the second Diapir Field (6/84) sales.

In the former, the State is requesting stipulations similar to those advocated by the State for the Norton Sound and St. George Basin sales regarding oil spill cleanup capabilities and produced oil transportation modalities. In particular, the speculative nature of how the transport of produced oil (if any) might occur from the Navarin, and the possibility of significant impact on the character of western Alaska depending on the method selected, necessitates that the State have a forceful role in these decisions.

On the Diapir Field Sale, the State is seeking stipulations similar to those awarded us on Sale 71. In addition, because the upcoming sale is an areawide offering traversing most of the Alaskan Beaufort Sea, we have requested deferral of leasing in the western and eastern portions of the sale area until at least 1986, when a third Diapir Field sale is currently scheduled. Besides reducing the sale area to a more manageable size, the deferral could provide you time to assess the impacts of lease sale activity in those areas on the spring and fall bowhead subsistence hunt. It would also provide additional time to continue research on the effects of noise and other aspects of oil activity on the bowhead. This latter point is important as more and more of this endangered species habitat is being subjected to exploration activity as the entire current Five-Year Program is implemented.

OTHER CONCERNS

The ability of the Department to make responsible decisions with regard to the Five-Year Program, and of State and local governments to respond and prepare accordingly, is dependent upon an adequate scientific data base and synthesis effort. The need for such research is even more critical for the frontier areas of the Alaskan OCS, where so much is so little understood, and where the other resource values are so important. We have watched with dismay as Federal funding decisions have reduced significantly the ability of the Federal government to maintain a high-profile, high-priority research program to substantiate the Five-Year Program's accelerated emphasis. When we hear discussion that the Federal revenues derived from the Five-Year Program can and should be increased to the extent that the increases could have a demonstrable impact on Federal budget deficits, we are pained even more to see the modest budget of Federal research efforts cut past the bone. If the Five-Year Program is to be an expanded and accelerated source of Federal income, particularly from the frontier area of the Alaskan OCS, it does not appear too much to expect that the Federal government would also make available the necessary research funds to ensure the program's scientific, as well as economic, success. We urge you to see to it that the Outer Continental Shelf Environmental Assessment Program, and other Department-related endeavors receive adequate funds to support the type of Five-Year Program you believe is appropriate.

In like fashion, as we also discussed in Las Vegas, states have limited resources to prepare for and cope with the impacts of Federally initiated OCS leasing. OCS revenue-sharing with states is the appropriate way to address this disparity, and would go a long way to alleviate the financial concerns of states and local governments with the Program. I am encouraged by your statements to date of interest in OCS revenue-sharing. I hope you will pursue this matter further and be able to persuade the Reagan Administration to cease its opposition to the Congress's efforts to solidify this aspect of the State/Federal partnership in OCS development.

Our final remarks on the Five-Year Program relate to the public's involvement in it. Unfortunately, over the past few years there has been a decrease in the opportunities provided by the Department for public participation in the decision-making process. Alaska's remote location, vast geographical expanse, decentralized village structure, and diverse cultural heritage are all cited as reasons which make public involvement difficult and expensive. However, what appears as a burden to the financial architects of government is what is the beauty and uniqueness of Alaska to many of us. Rather than being the obstacle to public involvement, it is the precise reason that there must be significant public involvement in these crucial Federal decisions which affect Alaskans' lives and livelihoods. I, and every Alaskan, would appreciate it greatly if you would examine the public involvement procedures in the Program, and modify them to ensure adequate participation. I believe that the resultant dialogue between the Department and the people of Alaska will help you achieve a stronger, better understood, and more responsive Five-Year Program.

CONCLUSION

I am aware that the full implementation of these recommendations will necessitate a rearranging of the Five-Year Program that may affect Alaskan sales that I have not specifically mentioned. I also recognize that you will not be able to address Alaska's concerns without assessing their impact on other regions, as you implement this important national program. However, I did want to recommend to you both general criteria for pre-lease procedures, and specific sale changes which address the State of Alaska's overall concerns with the current Five-Year Program. It is my hope that you are able to construct a Five-Year Program which results in our future discussions being limited to tract configurations and lease sale stipulations, as may be necessary concerning any specific sale. Such a Five-Year Program would enable the State to work in even closer cooperation with the Department as we pursue our shared goal of expeditious energy development conducted in a socially and environmentally acceptable manner. To further aid you in this task, I will append to this letter the list of criteria used by the State to assess the current Five-Year Program, and a copy of the State's own Five-Year Program for leasing state lands and waters. We hope these documents will alleviate any concerns you might have that we are requesting you to follow a process which we don't impose upon ourselves.

I and my staff stand ready to work with you and the Department as you reevaluate the Federal Five-Year Program. I would appreciate the opportunity to discuss these recommendations with you personally at your convenience. For your information, I will be in Washington in late February for the National Governors' Association meeting. In the meantime, I look forward to establishing the necessary staff relationship to pursue these ideas further.

We appreciate the attention you have paid to Alaska to date on this issue of vital importance to both of us, the people of Alaska, and all the citizens of our great nation.

Sincerely,

Bill Sheffield
Governor

Enclosure

ENCLOSURE

General Criteria Used to Evaluate the Timing of Proposed Federal OCS Lease Sales

1. Status of proposed or ongoing research and environmental studies.
2. Existing technology and proposed explorations techniques.
3. Consistent with State policies and the State's Five-Year Oil and Gas Leasing Program.
4. Preference for second and third entry sales prior to first entries into frontier areas.
5. Existing infrastructure.
6. Proximity to local communities and their views.
7. Status of community preparedness and coastal management plans.
8. Distance of proposed sale area from shore.
9. Ability of the State to respond to lease sale initiatives in a timely manner.
10. Environmental sensitivity and marine productivity.
11. Estimated petroleum potential.
12. Preference for leasing from nearshore to offshore in ice-infested waters.

State of California
GOVERNOR'S OFFICE
SACRAMENTO 95814

GEORGE DEUKMEJIAN
GOVERNOR

TELEPHONE
(916) 445-2841

June 25, 1984

The Honorable Lowell P. Weicker, Chairman
Subcommittee on Energy Conservation
and Supply
Senate Committee on Energy
and Natural Resources
Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Chairman Weicker:

This is to inform you of my position on OCS leasing moratoria for inclusion in the records of your subcommittee.

I am opposed to the addition of a moratorium on OCS leasing in the Fiscal Year 1985 Interior Appropriations bill. In my opinion, OCS development should proceed where it poses no threat to sensitive environments, where it appears that there are prospects for the recovery of sufficient quantities of oil and gas to justify accepting the risks of drilling, and where adequate steps are taken during drilling to protect the environment.

The best way to identify these areas is a tract-by-tract analysis of proposed sales. The oil and gas resources of the OCS are too important to national security and to the economy to be tied up in blanket moratoria. The balance between benefits and risks is sensitive to both improvements in technology and change in international conditions that determine the availability and price of crude oil. This balance must be subject to reevaluation as circumstances change.

Secretary of Interior Clark has initiated extensive consultation with representatives of the various public and private organizations that are concerned with future California lease sales. I believe that through these consultations, future sales will be focused on areas with high potential and reasonable risk and that California's interests will be well protected.

The Honorable Lowell P. Weicker June 25, 1984
Page Two

I trust that this letter clarifies my position for the members of your subcommittee. I have asked Gordon Duffy, my Secretary for Environmental Affairs and OCS Coordinator, to be available to respond to questions from you or subcommittee members.

Most cordially,

George Deukmejian

George Deukmejian

mh

cc: Karen Spencer, Director
California Governor's Office
Washington, D.C.
Gordon Van Vleck, Secretary
Resources Agency
Gordon Duffy

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133

MICHAEL S. DUKAKIS
GOVERNOR

June 22, 1984

Senator Lowell P. Weicker, Chairman
Subcommittee on Energy Conservation
and Supply
308 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Weicker:

I respectfully request that the Committee consider my comments as part of the record for the June 26 hearing on Outer Continental Shelf (OCS) leasing moratoriums.

Ideally, I do not support leasing moratoriums. I feel that the Department of the Interior should be able to adequately address the concerns of the other affected federal agencies, state governments and the public through the established legal channels. However, in recent years Massachusetts' dealings with the Department of the Interior have not been satisfactory. With James Watt as Secretary of the Interior, huge areas of the North Atlantic were being proposed for lease, and we were provided no assurance that state, environmental and fishery concerns would be mitigated. As a last resort, I supported the amendment to Interior's FY 84 appropriation bill which prohibited Interior from spending any funds on the preparation for, or conduct of, pre-lease and leasing activities in certain areas of the OCS. The prohibition language for the North Atlantic included five areas off Massachusetts that I feel must be protected from oil and gas leasing because they are fishing grounds and fish spawning and nursery areas, and are adjacent to coastal areas, particularly Cape Cod, which support a sizable tourist industry.

I continue to have high hopes that Massachusetts will be able to successfully negotiate with Interior over future North Atlantic lease sales, and that further moratoriums will not be necessary. The lease sale is the last stage at which the states can meaningfully participate in the federal leasing process. Because a lease sale sets in motion a chain of events that is very difficult to interrupt, it is imperative that our concerns are met before the sale takes place. As a result of the unfortunate Supreme Court decision on federal consistency, Massachusetts must rely solely on our review under Section 19 of the OCS Lands Act to assure that our recommendations on "size, timing and location" of a lease sale are properly considered. However, recent history has shown that the Secretary's balancing of state and national interests has been weighted singlemindedly towards oil and gas leasing. The deteriorating relationship between Interior and Massachusetts and other coastal states has forced us to support leasing moratoriums to assure that our vibrant fishing industry and fragile marine environment will be adequately protected.

There are areas off Massachusetts which support a billion dollar a year fishing industry. These same areas appear to have no or very limited geologic potential for the discovery of oil and gas reserves, despite Interior's repeated efforts to offer them for lease. When I weigh the significant economic gain to the nation from this valuable, renewable fishery resource against the small potential for economic benefit from oil and gas, the balance always comes out in favor of protecting these environmentally sensitive areas of the North Atlantic. With this balance of benefits vs. costs in mind, I will continue to oppose leasing of these areas.

Again, thank you for your interest in my views on oil and gas leasing issues, a topic of great concern to the people of Massachusetts.

Sincerely,

Michael S. Dukakis
Governor

MSD/bk

Department of Environmental Management
Planning and Development Division

BOARD OF SUPERVISORS
ANNA G. ESHOO
ARLEN GREGORIO
WILLIAM J. SCHUMACHER
K. JACQUELINE SPEIER
JOHN M. WARD

COUNTY OF SAN MATEO
COUNTY GOVERNMENT CENTER • REDWOOD CITY • CALIFORNIA 94063

DAVID C. HALE
PLANNING DIRECTOR
(415) 363-4181

July 13, 1984

Honorable Lowell Weicker
Energy Conservation & Supply Subcommittee
308 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Weicker:

The attached resolutions, #45475 in support of the "Central and Northern California and Southern California OCS Provisions for Inclusion in the FY 1985 Interior Appropriations Bill," #43755 in support of HR 6365 and #44725 in support of HR 2059 and #45881 in support of HR 4589 and S 2324 which would clarify Congressional Intent for Consistency Review are representative of the County's position regarding OCS activities in Northern and Central California.

Please accept these resolutions as part of the record for your June 26, 1984 hearing on OCS leasing activities.

Thank you.

Sincerely yours,

David C. Hale
Planning Director

DCH:DSN:ac

Attachment

RESOLUTION NO. 44725

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO
STATE OF CALIFORNIA

* * * * * * * * * *

RESOLUTION IN SUPPORT OF HR 2059

OFFSHORE DRILLING MORATORIUM BILL

* * * * * * * * * *

WHEREAS, a bill, known as HR 2059, has been introduced in the Congress of the United States; and

WHEREAS, HR 2059 would place a moratorium on OCS drilling activities on the federal OCS in: portions of the Central and Northern California OCS Planning Area extending from the Santa Maria River north to the Oregon border; portions of the Southern California Planning Area including a buffer zone around Santa Monica Bay, the Channel Islands National Marine Sanctuary, the Hickel Preserve and Buffer Zone of Santa Barbara, an eleven mile buffer zone from the Mexican border to Laguna Beach; and critical fishing areas of Georges Bank off of the State of Massachusetts, such moratorium to remain in effect until January 1, 2000; and

WHEREAS, continued efforts by the U.S. Department of the Interior to lease vast portions of this area for OCS activities have resulted in the need for an ongoing and continual expenditure of staff time, funding, and political action by local agencies to address effectively these proposals, with a negligible response by the Department of the Interior; and

WHEREAS, HR 2059 is consistent with positions and policies previously adopted by the County with regard to OCS proposals in these areas; and

WHEREAS, HR 2059 will be subject to the deliberations of relevant committees and floor votes in the Congress of the United States:

NOW, THEREFORE, BE IT RESOLVED, that the Board of Supervisors of the County of San Mateo, State of California, hereby adopts this resolution in support of HR 2059 and directs that copies of this resolution be directed to all appropriate Members of Congress and other interested officials.

Regularly passed and adopted this 12th day of JULY, 19 83.

AYES and in favor of said resolution:

Supervisors: K. JACQUELINE SPEIER

JOHN M. WARD

ANNA G. ESHOO

ARLEN GREGORIO

WILLIAM J. SCHUMACHER

NOES and against said resolution:

Supervisors: NONE

Absent Supervisors: NONE

ARLEN GREGORIO

Chairman, Board of Supervisors
County of San Mateo
State of California

ATTEST:

MINERVA L. TAKIS

Clerk of said Board of Supervisors
(SEAL)

RESOLUTION NO. 43755

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

* * * * * * * *

RESOLUTION IN SUPPORT OF HR 6365

OFFSHORE DRILLING MORATORIUM BILL FOR CENTRAL AND NORTHERN CALIFORNIA

WHEREAS, a bipartisan bill, known as HR 6365, has been introduced in the Congress of the United States; and

WHEREAS, HR 6365 would place a moratorium on OCS drilling activities on the federal OCS in portions of the Central and Northern California OCS Planning Area extending from the Santa Maria River north to the Oregon border and from the 3-mile state tidelands boundary to beyond the seaward limit of the Planning Area, such moratorium to remain in effect until January 1, 2000; and

WHEREAS, continued efforts by the U. S. Department of the Interior to lease vast portions of this area for OCS activities have resulted in the need for an ongoing and continual expenditure of staff time, funding, and political action by local agencies to effectively address these proposals, with a negligible response by the Department of the Interior; and

WHEREAS, HR 6365 is consistent with positions and policies previously adopted by our agency with regard to OCS proposals in these areas; and

WHEREAS, HR 6365 will be subject to the deliberations of relevant committees and floor votes in the Congress of the United States:

NOW, THEREFORE, BE IT RESOLVED, that the Board of Supervisors of the County of San Mateo, State of California, hereby adopts this resolution in support of HR 6365 and directs that copies of this resolution be directed to all appropriate Members of Congress and other interested officials.

Regularly passed and adopted this 14th day of SEPTEMBER, 19 82 .

AYES and in favor of said resolution:

Supervisors: K. JACQUELINE SPEIER

JOHN M. WARD

EDWARD J. BACCIOCCO, JR.

ARLEN GREGORIO

WILLIAM J. SCHUMACHER

NOES and against said resolution:

Supervisors: NONE

Absent Supervisors: NONE

EDWARD J. BACCIOCCO, JR.
Chairman, Board of Supervisors
County of San Mateo
State of California

ATTEST:

MINERVA L. TAKIS
Clerk of said Board of Supervisors
(SEAL)

RESOLUTION NO. 45475

COUNTY OF SAN MATEO

* * * * * * * * * *

RESOLUTION IN SUPPORT OF THE CENTRAL AND NORTHERN CALIFORNIA AND SOUTHERN CALIFORNIA OCS PROVISIONS FOR INCLUSION IN THE FY 1985 INTERIOR APPROPRIATIONS BILL

* * * * * * * * * *

WHEREAS, the United States House of Representatives is considering provisions attached to the Interior Appropriations Bill for Fiscal Year 1985, which would preclude funding for the conduct of certain OCS leasing activities in specific portions of the Central and Northern California OCS Planning Area as well as specific portions of the Southern California OCS Planning Area; and

WHEREAS, the United States Senate will be engaging in deliberations over the final version of the FY 1985 Interior Appropriations Bill; and

WHEREAS, San Mateo County wishes to communicate its support directly to the United States Congress for language in the FY 1985 Interior Appropriations Bill which would protect both California OCS Planning Areas.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Supervisors, County of San Mateo, does hereby adopt this resolution in support of the Central and Northern California and Southern California OCS provisions in the FY 1985 Interior Appropriations Bill affecting OCS leasing for California area; and

BE IT FURTHER RESOLVED, that this resolution should be forwarded to all members of the United States Congress who are involved in decisions affecting the Interior Appropriations Bill for FY 1985.

DSN:jmr - J6E03286

Regularly passed and adopted this 13th day of March, 19 84.

AYES and in favor of said resolution:

Supervisors: K. JACQUELINE SPEIER

ANNA G. ESHOO

ARLEN GREGORIO

WILLIAM J. SCHUMACHER

NOES and against said resolution:

Supervisors: NONE

Absent Supervisors: JOHN M. WARD

WILLIAM J. SCHUMACHER

Chairman, Board of Supervisors
County of San Mateo
State of California

ATTEST:

MINERVA L. TAKIS

Clerk of said Board of Supervisors
(SEAL)

RESOLUTION NO. 45881

* * * * * * * * * *

COUNTY OF SAN MATEO RESOLUTION IN SUPPORT OF H.R. 4589 and S. 2324 WHICH WOULD CLARIFY CONGRESSIONAL INTENT WITH RESPECT TO THE ROLE OF AFFECTED STATES IN DECISIONS ABOUT FEDERAL ACTIVITIES UNDER THE "CONSISTENCY" PROVISION OF THE COASTAL ZONE MANAGEMENT ACT

* * * * * * * * * *

WHEREAS, Legislation is under consideration in the United States House of Representatives (H.R. 4589) which would clarify the intent of Congress with respect to the role of affected states under Section 307(c)(1) of the Coastal Zone Management Act of 1972 (16 H.S.C 1456(c)(1); and

WHEREAS, Legislation is also under consideration in the United States Senate (S. 2324) which would clarify the intent of Congress with respect to the role of affected states under Section 307(c)(1) of the Coastal Zone Management Act of 1972 (16 U.S.C. 1456(c)(1); and

WHEREAS, protection of the role of affected states with respect to review of federal activities to assure compliance with federally-approved Coastal Zone Management plans is of utmost importance to local government agencies in coastal areas.

NOW, THEREFORE BE IT RESOLVED, that the Board of Supervisors, County of San Mateo, does hereby adopt this Resolution in support of H.R. 4589 and S. 2324; and

BE IT FURTHER RESOLVED, that this Resolution be forwarded to the appropriate legislative bodies for consideration as part of the record.

J6E03806

Regularly passed and adopted this 10th day of July,
19 84.

AYES and in favor of said resolution:

Supervisors: K. JACQUELINE SPEIER

ANNA G. ESHOO

ARLEN GREGORIO

WILLIAM J. SCHUMACHER

NOES and against said resolution:

Supervisors: NONE

Absent Supervisors: JOHN M. WARD

WILLIAM J. SCHUMACHER
Chairman, Board of Supervisors
County of San Mateo
State of California

ATTEST:

MINERVA L. TAKIS
Clerk of said Board of Supervisors
(SEAL)

ADMINISTRATIVE OFFICE

GOVERNMENTAL CENTER

(408) 425-2115

COUNTY OF SANTA CRUZ

701 OCEAN STREET, ROOM 520, SANTA CRUZ, CA 95060

July 11, 1984

Senator Lowell Weicker, Chairman
Subcommittee on Energy Conservation and Supply
308 Dirkson Senate Office Building
Washington, D.C. 20510

Dear Chairman Weicker:

Enclosed is a copy of the resolution passed unanimously by the Santa Cruz County Board of Supervisors, urging the Senate Subcommittee on Interior Appropriations to include measures protecting the Northern and Central California Coastline from offshore oil leasing in the fiscal year 1985 Interior Appropriations Bill.

We respectfully request that the above referenced resolution be entered into the hearing record for the June 26, 1984 hearing on Outer Continental Shelf leasing issues.

Sincerely,

GEORGE T. NEWELL
County Administrative Office

GTN/MAJ:mt

Enclosure

cc: Richard Charter

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 143-84

On the motion of Supervisor Cucchiara
duly seconded by Supervisor Patton
the following resolution is adopted:

RESOLUTION URGING THE SENATE SUBCOMMITTEE ON INTERIOR APPROPRIATIONS TO INCLUDE MEASURES PROTECTING THE NORTHERN AND CENTRAL CALIFORNIA COASTLINE FROM OFFSHORE OIL LEASING IN THE FISCAL YEAR 1985 INTERIOR APPROPRIATIONS BILL

WHEREAS, the Senate Subcommittee on Interior Appropriations is preparing the language for the Fiscal Year 1985 Interior Appropriations Bill; and

WHEREAS, language in the Interior Appropriations Bill has protected Central and Northern California from Outer Continental Shelf leasing for the past three years; and

WHEREAS, the Santa Cruz County Board of Supervisors has been concerned for over six years that the federal government's plans to develop its Outer Continental Shelf resources off Santa Cruz County, and other Northern and Central California counties, inappropriately balances the relatively small amounts of hydrocarbon resources available in these portions of the Outer Continental Shelf with the severe economic and environmental hazards that would be associated with Outer Continental Shelf production and development; and

WHEREAS, delay of leasing in Northern and Central California would allow the United States Government time to carry out necessary environmental studies, and would preserve easily accessible hydrocarbon supplies, off the California coast, for times of national emergency.

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors of the County of Santa Cruz hereby urges inclusion of measures in the Interior Appropriations Bill to protect Northern and Central California, Row N-808-807 to the Oregon border, from offshore oil leasing.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 20th day of March, 1984, by the following vote:

AYES:	SUPERVISORS	Forbus, Patton, Moore, Cucchiara, Levy
NOES:	SUPERVISORS	None
ABSENT:	SUPERVISORS	None
ABSTAIN:	SUPERVISORS	None

Robley Levy
Chairperson of said Board

ATTEST: [illegible]
Clerk of said Board

Approved as to form:

Mable M. Costa
County Counsel

Distribution: Senator James McClure
Subcommittee on Interior Appropriations
Senator Pete Wilson
Senator Alan Cranston

Government Coordinator
County Administrative Officer
County Counsel

STATE OF CA[illegible] } SS
[illegible]
June 18 84
D. Jeri Lorey

ARCO Exploration Company
Post Office Box 2819
Dallas, Texas 75221
Telephone 214 880 2200

H. C. Jamison
President

June 22, 1984

The Honorable Lowell P. Weicker
Chairman
Subcommittee on Energy Conservation and Supply
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Atlantic Richfield Company submits herewith our statement and accompanying publication presenting our views on the damage we believe outer continental shelf (OCS) leasing moratoria do to the American petroleum industry and to the nation.

We respectfully request that these documents be incorporated in the record of your subcommittee's June 26, 1984 oversight hearing on OCS leasing.

Please contact me should you desire additional information on this important national issue.

Sincerely yours,

H.C. Jamison

H.C. Jamison

HCJ:sh

Attachments

ATLANTIC RICHFIELD COMPANY STATEMENT
ON
MORATORIA AFFECTING OIL AND GAS LEASING ON THE OCS

FOR THE HEARING RECORD
JUNE 26, 1984 OVERSIGHT HEARING
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

Atlantic Richfield Company submits the following statement, presenting our views on the damage we believe OCS leasing moratoria do to the American petroleum industry and to the nation, and respectfully requests that it be incorporated in the record of the June 26, 1984 oversight hearing on OCS leasing before the Subcommittee on Energy Conservation and Supply of the Senate Energy and Natural Resources Committee.

To accompany this statement, we also submit the March, 1984 update of a publication we have produced entitled, "Outer Continental Shelf: Importance to the Nation -- OCS Leasing Moratoria Will Not Pay Off". We ask that it also be made a part of the hearing record. We refer to that publication throughout this statement.

Disruption of Exploration Continuity

The worst single effect of recent moratoria on OCS leasing has been the disruption of exploration continuity in offshore areas, adding further delay to an already lengthy process. Drilling a single offshore exploratory well, including all preliminaries, can take as long as ten years, including three to four years spent on exploration activities prior to the lease sale.

Exploration continuity is essential if we are to develop and pursue the geologic concepts necessary for finding major deposits of oil and gas. Expert views vary greatly as to the precise location of the major undiscovered reserves left in this country. If we are to find and develop those reserves before the close of the present century, we must be free to test all those ideas and we must have access to the full range of prospective sites offered by the five-year leasing program, not bits and pieces here and there.

The fundamental point is that successful oil exploration cannot be hit-or-miss; orderliness and predictability are essential to long-term results.

It's true that leasing moratoria imposed to date have barred exploration from only a small piece of the total U.S. outer continental shelf. But it's an important piece -- close to shore in relatively shallow water. That's precisely the area we would aim at first because it offers the greatest likelihood of economically developable oil and gas reserves.

Impact on the Nation

Before we elaborate further on the effect of the OCS leasing moratoria on the petroleum industry, we would like to comment briefly on the impact of this policy on our national interests.

U.S. dependence on imported oil is too familiar to everyone to require extended discussion. The plain fact is that even with the most aggressive domestic exploration and development, it is most unlikely that the United States will ever restore its energy independence. (See data on "Domestic Energy Outlook" in our document).

In light of this, it's clear that we must make every effort to find and develop our own oil and gas, remembering that for each barrel of domestic oil that we do not bring out of the ground, we will be that much more dependent on foreign sources. The implications for our national security and energy costs for our citizens are obvious.

Domestic Energy Security

Most of the world's proven oil reserves are, of course, in politically unstable countries controlled by the OPEC cartel. At the close of 1982, OPEC, the Soviet Union and the Peoples Republic of China had 78 percent of global oil reserves. The United States had only 4.4 percent. These facts do not bode well for our future -- especially if we continue mindlessly locking up the best oil prospects we have.

The precariousness of the world's energy balance is illustrated by the situation in the Persian Gulf. From mid-April to early June, ten tankers were attacked in the Gulf due to escalations in the Iran-Iraq war. Saudi Arabia itself, the world's major oil state, has become involved in the fighting.

It's been argued that since the United States imports little oil directly from the Persian Gulf -- only five percent of our total consumption -- we are not vulnerable to events in that troubled region of the world. Nothing could be further from the truth.

Our political allies and trading partners around the world are extremely dependent on Persian Gulf crude and vulnerable to potential energy supply disruptions in the Middle East. If their economic well-being and political security are threatened, it is inconceivable that we Americans would carry on with business as usual.

As a member of the International Energy Agency, the United States is bound to come to the aid of our allies in the event of a world crude shortage. So while we might not be jeopardized directly by a cutoff of oil from the Middle East, our involvement in the crisis would nevertheless be immediate and it would be total. We would have to share the world's shortage.

OCS: Key to U.S. Oil Supplies

All of these facts argue strongly for a vigorous program of domestic energy development, with the OCS as the heart of the effort. Unfortunately, its development history has been dismal. For decades the Department of the Interior limited OCS leasing to relatively small areas mainly in the Gulf of Mexico. This restrictive policy was radically changed by the five-year leasing program begun under the Carter Administration, continued under President Reagan and endorsed by Congress. Widespread OCS leasing finally seemed at hand. But no sooner was the door opened than it was slammed shut again.

Areas presently under moratoria are estimated by the Minerals Management Service to contain the equivalent of 2.2 billion barrels of oil, including 1.1 billion equivalent barrels for the northern and central California planning area. The actual amount of oil in these regions could be much greater. For example, undiscovered recoverable reserves for the Pt. Arguello/Pt. Conception area off the central California coast were at one time estimated at 200 to 300 million barrels. Recent exploration has increased the figure to as high as a billion barrels. Moratoria are needlessly delaying acquisition of such vital information for other OCS areas.

Economic Impact of Moratoria

In addition to denying the nation important information about our energy resources, imposition of moratoria also results in a severe economic penalty for the country.

Estimates by the Minerals Management Service indicate that a one-year delay in the present moratorium areas (excluding central and northern California) costs the nation $5 billion in lost economic value. Bonuses lost to the U.S. Treasury from sales not held in Fiscal Year 1984 are estimated at $2 billion. If you include central and northern California, these costs to the country's economy increase dramatically -- to $8.8 billion and $3.5 billion.

Macro-estimates of this sort do not include the industry's pre-sale investments which are essentially rendered useless for the near-term when leasing moratoria are applied to these areas.

Despite the slow development pace, OCS leasing revenues are significant to the federal government. Through August 1983, for example, OCS bonuses, rents and royalties had contributed over $64 billion to the U.S. Treasury, with much more coming in the form of income and windfall profits taxes. Our deficit situation should encourage us to stimulate these revenue sources further rather than doing everything possible to shrink them.

Oil imports, of course, account for the major share of the country's alarming trade deficit. Last year, we paid $54 billion for foreign oil, roughly three-quarters of the entire deficit. In his May 3, 1984 testimony before the House Interior Appropriations Subcommittee, Congressman Dannemeyer painted a graphic picture of the impact of the oil trade imbalance on U.S. employment. He said that 30,000 jobs are lost in this country for every billion dollars of trade deficit. Our oil imports therefore translate directly into a loss of 1.6 million U.S. jobs.

This catastrophic job loss can be reversed to an important extent by an orderly and reliable offshore leasing program. OCS development unhindered by capricious leasing moratoria will not only reduce our trade deficit, but will also generate more federal leasing income, greater national revenues from higher corporate income and windfall profits taxes and more personal income taxes from all the people who will be working rather than collecting unemployment.

The job loss traceable to leasing moratoria is detailed under the "Employment" tab of our document. These estimates are based on Interior Department data. They were originally published in Environmental Impact Statements covering planned sales now blocked by moratoria. Creation of 16,000 new jobs was estimated for the projected peak year, 1992. Those jobs, of course, are now in limbo.

Impact of Moratoria on the Petroleum Industry

At this point we would like to elaborate on a point made earlier, the serious damage done to the American petroleum industry by leasing moratoria.

Since moratoria actions have generally been taken shortly before the leases were due to be offered, a great deal of money spent on pre-lease activities has been affected. The value of these investments has been grossly eroded by disruption of the exploration process.

To put this in perspective, ARCO Exploration Company, Atlantic Richfield Company's domestic oil and gas exploration division, performed extensive seismic work off the Central and Northern California coast in 1982 to prepare for Lease Sale #73. Additional seismic work was scheduled for last summer, but faced with a likely rollover of the FY'83 leasing moratorium for Northern California, we redirected our seismic ship to Southern California. Unfortunately, much of our seismic work there was also affected by moratoria for FY'84. We struck out in both areas, drastically eroding the near-term value of our investment in geophysical data.

Since enactment of the 1978 amendments to the OCS Lands Act, which called for expedited evaluation of the nation's OCS energy resources, much of our pre-sale investment offshore California for geological and geophysical data has been essentially wasted, and the opportunity for an important addition to the nation's petroleum reserves has been cut off.

Some of our money, talent and tools -- including an expensive seismic vessel -- should clearly have been employed elsewhere. Our efforts should be expended to find oil and gas, not wasted in a fruitless game of political hide-and-seek. ARCO alone has spent $60 million so far for geophysical studies off the California coast. The industry as a whole has probably spent half a billion. Much of this investment will mean nothing until the moratoria are lifted.

ARCO also had explorationists evaluating North Atlantic prospects for Sales 52 and 82. Neither took place, and the areas involved are now partially covered by moratoria.

Alaska, the most important U.S. petroleum province, is now threatened by the moratoria dilemma. In the North Aleutian Basin (Bristol Bay), for example, we started our evaluation in 1970. We were anticipating the first lease sale which was scheduled to be held within a few years. Now we hope that sale will take place by August 1985. We have invested approximately $15 million in this area for geological and geophysical work and our share of an information well. If our competitors up there have each spent on average only half as much as ARCO, we are looking at pre-sale investments in excess of $100 million for just one offshore area of Alaska.

The impact of moratoria on the companies doing OCS exploration can be seen. Include the impacts that filter down to support industries, and the delay in development activities where the majority of jobs are created, and the total extent of the damage to the country's economy can be visualized.

In the long run, the impact of these disruptions will pressure the oil industry to redirect its efforts away from the OCS, despite its potential for significant oil discoveries, in order to obtain an adequate return on its investments.

The Record of the OCS Leasing Program

Our industry has demonstrated again and again throughout the world that we can explore, develop and produce offshore oil and gas resources without any negative impact on the environment. It was unfounded fear of environmental harm, however, that brought the moratorium movement into existence in northern California and produced the attack on area-wide leasing.

Interior Secretary Clark has now demonstrated, however, that he can address the "real" problem in a responsible manner. He has instituted procedures for involving the affected coastal state concerns earlier in the lease sale process. Furthermore, the five-year leasing schedule has been modified, and the sale areas scaled back, such that existing moratorium areas are not included in planned FY'85 lease offerings. Thus there now appears to be absolutely no basis for reimposing OCS leasing moratoria this year.

In addition to our industry's exemplary environmental record, there are many other positive societal benefits from OCS oil and gas operations.

Often overlooked, for example, is the improvement in marine safety from the presence of highly trained and well-equipped industry personnel. In the last half of 1983 alone, ARCO responded to six distress calls from commercial fishing vessels off the Alaskan coast. We were commended by the U.S. Coast Guard, the Minerals Management Service, Congressman Don Young and both houses of the Alaska Legislature. Other companies could relate similar experiences.

Summary

We realize, in closing, that the moratorium issue seems to be only a minor concern in the overall national and international energy scene. Further, it is popularly viewed as having only short-term effects. But the reality is that leasing moratoria are, for reasons I have outlined, a serious threat to U.S. and international energy stability whose effects will not end when and if they are lifted; the damage is in many respects permanent.

We have seen the area barred by moratoria grow for three consecutive years -- from 736,000 acres in 1982 to 52 million acres this year. We have seen moratoria disrupt the leasing process, causing diversion of oil industry efforts to other areas after sizeable investments had been made. Worst of all, we have witnessed arguments that imply that the resource potential of these areas is not large enough to justify exploration -- arguments which can neither be confirmed nor refuted without the actual exploratory process.

In short, the American people have been misled and our critically important domestic exploration program has been reduced when all factors, from the federal deficit to growing unemployment, calls for its expansion. We have repeatedly come to the point of exploratory drilling only to have a moratorium imposed. These capricious decisions are wasting my industry's resources and damaging our country's energy hopes. Our hope is that we will be permitted to carry out the exploration and development process in the interests of all.

We appreciate the opportunity to provide Atlantic Richfield Company's views on this important issue.

Coastal States Organization

An alliance of the Coastal States, Commonwealths, and Territories providing an effective voice in the formulation, development, and implementation of national marine and coastal resource programs and policies.

CHAIRMAN
Arthur J. Rocque, Jr.
Hartford, Connecticut
(203) 566-3740
DIRECTOR
R. Gary Magnuson
Washington, D.C.
(202) 628-9636

June 20, 1984

The Honorable Lowell P. Weicker, Jr.
Chairman
Subcommittee on Energy Conservation and Supply
Senate Energy and Natural Resources Committee
SD 308
Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

On behalf of the governors' delegates to the Coastal States Organization and as Chairman of the CSO, I respectfully request that the Subcommittee accept this correspondence as part of the official record for the Tuesday, June 26 oversight hearing on Outer Continental Shelf (OCS) issues.

Although the CSO has chosen to remain neutral on its position regarding pending OCS leasing moratoria legislation, the member states are, nevertheless, deeply concerned about the degree of confrontation and controversy that continues to plague the federal OCS leasing program. Continuing discussions with CSO delegates on this issue have raised specific concerns as well as suggestions about ways to lessen leasing-related conflicts between the states and the federal government. It is those concerns, observations and recommendations which we wish to share with the Subcommittee.

Member states of the CSO recognize the importance of exploring and producing federal OCS oil and gas resources and support efforts to assure the energy independence and economic security of the United States. The CSO also recognizes that, in meeting these national energy objectives, the exploration and development of OCS oil and gas resources must be carried out in a manner that is balanced against other uses of our oceans and Great Lakes. Many states, however, perceive this Administration's commitment to U.S. marine resource management as one weighted heavily toward the accumulation of revenue through offshore energy production, irrespective of legitimate state concerns regarding the need for balanced OCS development.

It comes as no surprise to those of us who are charged with managing national coastal resources that Congress has found it necessary to include OCS leasing moratoria restrictions in the Interior appropriations bills for the past three years. CSO member states feel that having to impose such drastic legislative measures as the moratoria is symptomatic of the rapidly-deteriorating climate between the federal government, coastal states and local governments with respect to federal OCS leasing.

While Interior Secretary Clark's efforts to consider the views of coastal states in OCS leasing matters are more encouraging than those of his predecessor, CSO member states see no significant change in the areawide leasing policies that were first established by former Secretary Watt. On one hand, Secretary Clark continues to implement an accelerated schedule of OCS lease sales, while on the other the Administration refuses, as it has for the last three fiscal years, to fund these very same federal programs that would help states deal with the impacts and costs of federal OCS leasing exploration, development and production. In so doing, the Administration ignores the extent to which congressionally-approved programs such as coastal zone management, coastal energy impact and Sea Grant serve the national interest.

Section 19 of the OCS Lands Act, which provides governors with the opportunity to submit recommendations to the Secretary of the Interior regarding the "size, timing and location" of OCS lease sales, should, presumably, give states a voice in federal OCS leasing decisions. In practice, however, the Secretary exercises considerable discretion in deciding whether the governors' recommendations strike a "proper balance" between state and national interests. Having the Interior Department repeatedly reject their recommendations under Section 19, beginning with California OCS Lease Sale 53 and most recently with Lease Sale 81 in the Central Gulf of Mexico, coastal states have been forced to pursue other legal alternatives, including OCS leasing moratoria legislation, to protect their interests.

The Interior Department's refusal to review OCS lease sales for consistency with state coastal plans and to resolve resulting conflicts with those states whose coastal zones would be directly affected by the sales finally led California, the CSO and 11 member states to file suit against then-Secretary Watt to force Interior to fulfill its legal obligations under Section 307(c)(1) of the Coastal Zone Management Act. The CSO believes that the Court's 5-4 decision earlier this year, to no longer require that federal lease sale activities be consistent with state coastal management plans, undermines the very process which Congress instituted in 1972 for state participation in the orderly development and management of our nation's ocean and coastal resources.

Notwithstanding the Court's ruling, coastal states continue to view the selection of OCS tracts and the transfer of OCS leases by the federal government as the last possible stage at which states can meaningfully participate in the federal leasing process. The CSO feels strongly that the federal government should be required to conform with the CZMA's consistency requirements by examining the cumulative impact of oil development on a state's coastline before the lease sale occurs. States have learned through experience that once a lease is issued by the federal government, it potentially sets into motion a chain of events that becomes nearly impossible to halt. Unless Congress clarifies its intent regarding the consistency provisions of the CZMA through pending legislation such as S.B. 2324, the result will likely be more, not less, litigation involving disputed tracts between states and the federal government, greater uncertainty and risk to oil companies, and a likely reduction in future lease values as well as an increase in OCS moratoria imposed by Congress.

The coastal management partnership between sttes and the federal government which Congress established in 1972 is being sorely tested. If the Administration continues to turn a deaf ear to legitimate state concerns regarding proposed federal OCS lease sales and presses forward with its attempt to eliminate what is already barebones funding for federally-approved state coastal management programs, the nation's OCS program and the energy security of the United States could be seriously jeopardized.

CSO strongly urges the Subcommittee, during its OCS legislative deliberations, to consider the following recommendations:

- o narrow the scope of the Interior Secretary's discretionary authority regarding determinations under Section 19 of the OCSLA

- o either provide full federal funding for state coastal zone management programs or enact OCS revenue sharing legislation. Doing so would help maintain the viability of the national CZM program and reduce fiscal disincentives to state and local communities that are impacted by federal OCS oil and gas operations to enter the CZM program

- o enact S.B. 2324 or similar legislation that would, in effect, reverse the Supreme Court's ruling on Interior v. California by requiring federal agencies to insure that federal activities significantly affecting the coastal zone are consistent with the efforts of states to manage their coastlines

Member states of the CSO have adopted a series of policy positions on a number of OCS-related issues during the past year, which may be of interest to the Subcommittee. A set is enclosed.

The CSO member states and I appreciate having this opportunity to comment on these very important issues. Thank you.

Sincerely,

Arthur J. Rocque, Jr.
Chairman

AJR/RGM/mic

Enclosure: CSO policies on OCS consistency, CZMA

OUTER CONTINENTAL SHELF PLANNING POLICY

The Coastal States Organization recognizes that exploration and production of Outer Continental Shelf (OSC) oil and gas resources are important efforts in assuring the energy and economic future of the United States. The members of the Coastal States Organization recognize their responsibilities in meeting these national objectives and fully support those federal programs that balance the judicious use, protection, and management of our oil and gas, mineral, fishery, and environmental resources.

Achieving the necessary balance requires an active, cooperative effort on the part of state and federal governments. The OCS leasing and development program must be founded upon principles of decision-making supported by the most complete and accurate information available concerning ocean resources.

The Coastal States Organization urges the Department of the Interior and other federal agencies to work with members of the Coastal States Organization on a program which:

- eliminates non-oil and gas productive acreage early in the lease sale planning process and conducts early consultations with states and other groups to assure that environmental analyses focus on the key issues surrounding the most protective acreage;
- enters into meaningful discussions with states and attempts to resolve major issues prior to the Proposed Notice of Sale;
- provides continuing updates of changes in the Department's planning schedules for lease sales;
- make appointments to Advisory Committees on a non-partisan basis;
- incorporates the concerns of the state Coastal Zone Management agencies throughout the lease sale planning process;
- develops an overall plan once exploration demonstrates the existence of hydrocarbons in a basin, controlling the pace, level, nature and extent of development.

Adopted January 17, 1984

CONSISTENCY REVIEW UNDER THE CZMA

The Coastal States Organization fully supports the state-federal coastal management partnership established by Congress under provisions of the 1972 Coastal Zone Management Act (CZMA). At the heart of this relationship is a consistency review process authorized by the CZMA that enables states to monitor federal activities for compliance with federally-approved state coastal management plans. On January 11, 1984, this state-federal relationship underwent dramatic change when the U.S. Supreme Court ruled 5 to 4 that the sale of federal oil and gas leases on the Outer Continental Shelf need not be subject to state consistency review. In so ruling, the Court restricted the application of CZMA Section 307(c)(1) to only those federal activities occurring within the geographic boundaries of a state's coastal zone.

The coastal states' record of achievement and ability to responsibly manage the coastal resources of the United States in a spirit of cooperation with the federal government runs contrary to the Supreme Court's ruling. A recent survey conducted by the National Oceanic and Atmospheric Administration (NOAA) found that, of all federal activities reviewed by coastal states for compliance with the consistency provisions of the CZMA, only 2-3% resulted in a denial of state certification. The CSO believes the Supreme Court's opinion misinterprets that which Congress intended under the CZMA and repudiates the states' accomplishments to date--a record that clearly indicates states have reasonably and credibly applied the consistency provisions of the CZMA in their efforts to administer the national coastal management program.

The Court's opinion also undermines the intricate network developed by coastal states for managing and protecting a wide variety of interdependent resources along 95,000 miles of U.S. coastline. Federal activities, such as offshore mining, at-sea disposal of decommissioned nuclear submarines and toxic wastes, timber sales, water diversions and upstream channelization, dam construction, designation of ocean dump sites, and the sale of federal lands which could cause major disruptions in a state's coastal zone, may now be exempt from state consistency review merely because those activities occur outside the physical boundaries of a state's coastal zone.

The Coastal States Organization urges Congress to enact legislation that would restore this vital component to our nation's chief coastal management law and to clarify the meaning of the CZMA's consistency provisions as Congress originally intended. The CSO strongly recommends that this legislation:

- ensure that all federal activities, directly or significantly affecting a state's coastal zone and subject to the enforceable policies of a state's federally-approved coastal zone management plan, are clearly subject to CZMA consistency review. This would maintain the states' coastal zone management review authority over federal activities occurring at sea or landward of a state's coastal zone;

- clarify the meaning of "directly affecting" in Section 307(c)(1). The definition should enable states and federal agencies to identify those activities which cause measurable impacts on a state's coastal zone or which set into motion a chain of events likely to result in such impacts;

- provide a clear standard of review of federal activities. This standard should continue the required federal agency compliance with a state coastal zone management plan, except where prohibited by other federal law;

- specify any references to the needs of national security be clearly, concisely and narrowly defined so that only necessary national defense activities which cannot be conducted in an alternative manner consistent with state federally-approved coastal zone management plans are excluded from the CZMA consistency review process.

Adopted April 10, 1984

FEDERAL/STATE OCEAN AND COASTAL RESOURCE MANAGEMENT PARTNERSHIP

The Congress of the United States has held that it is national policy to preserve, protect, develop and, where possible, to restore or enhance the resources of the nation's coastal zone for this and succeeding generations.

It is also national policy for the federal government to encourage and assist coastal states to effectively exercise their responsiibilities in the coastal zone through the development and implementation of federally-approved state coastal zone management programs.

The Congress of the United States has held that the management of the nation's ocean and coastal resources is a shared responsibility between the federal government and the states and that it supports, under provisions of law (the Coastal Zone Management Act, the Outer Continental Shelf Lands Act Amendments, the Fisheries Conservation and Management Act, the Commercial Fisheries Research and Development Act, Anadromous Fish Conservation Act, and the National Sea Grant College Program), the establishment and maintenance of federal/state partnerships in ocean and coastal resource management.

The Coastal States Organization supports the federal/state ocean and coastal resource management partnerships embodied in law and urges that the partnerships be preserved to serve the national interest while recognizing the legitimate rights of coastal state governments.

Adopted December 6, 1983

OUTER CONTINENTAL SHELF PLANNING POLICY

The Coastal States Organization recognizes that exploration and production of Outer Continental Shelf (OSC) oil and gas resources are important efforts in assuring the energy and economic future of the United States. The members of the Coastal States Organization recognize their responsibilities in meeting these national objectives and fully support those federal programs that balance the judicious use, protection, and management of our oil and gas, mineral, fishery, and environmental resources.

Achieving the necessary balance requires an active, cooperative effort on the part of state and federal governments. The OCS leasing and development program must be founded upon principles of decision-making supported by the most complete and accurate information available concerning ocean resources.

The Coastal States Organization urges the Department of the Interior and other federal agencies to work with members of the Coastal States Organization on a program which:

- eliminates non-oil and gas productive acreage early in the lease sale planning process and conducts early consultations with states and other groups to assure that environmental analyses focus on the key issues surrounding the most protective acreage;
- enters into meaningful discussions with states and attempts to resolve major issues prior to the Proposed Notice of Sale;
- provides continuing updates of changes in the Department's planning schedules for lease sales;
- make appointments to Advisory Committees on a non-partisan basis;
- incorporates the concerns of the state Coastal Zone Management agencies throughout the lease sale planning process;
- develops an overall plan once exploration demonstrates the existence of hydrocarbons in a basin, controlling the pace, level, nature and extent of development.

Adopted January 17, 1984

TESTIMONY OF

WILLIAM I. DuBOIS

DIRECTOR OF NATURAL RESOURCES

CALIFORNIA FARM BUREAU FEDERATION

BEFORE THE

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

OF THE

SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

JUNE 26, 1984

Chairman Weicker, members of the Subcommittee, my name is William DuBois. I am director of natural resources for the California Farm Bureau Federation. The California Farm Bureau Federation is a voluntary, dues supported, non-governmental organization, with a membership of approximately 100,000 families and agribusinesses throughout the state.

The California Farm Bureau's overall goal is to promote the national well-being; therefore, we have a strong interest in American energy policy, specifically the development of America's offshore energy resources.

I am here to state that the California Farm Bureau strongly supports environmentally responsible development of this country's offshore oil and natural gas reserves. Thus, we are opposed to moratoriums -- long-term, or year-to-year through the appropriations process. Moratoriums on offshore leasing and development are bad public policy.

We believe the advantages of offshore development far outweigh the disadvantages. We believe offshore energy can be produced in an environmentally safe way.

Agriculture is the leading industry in California. The raw product value from California farms is $14 billion a year. The California agribusiness industry, including cash crops, pumps $42 billion a year into the state's economy.

Agriculture is very energy dependent. Even though the United States today is 20 percent more energy efficient than a decade ago, we remain susceptible to the same kinds of economic consequences that ensued from the two oil shocks of the 1970's. In human terms, the 1973-74 Arab oil embargo and the 1979-80 Iranian revolution oil shortage were painful: soaring energy costs, widespread inflation and the loss of hundreds of thousands of American jobs.

The current war between Iran and Iraq highlights the volatile nature of the Persian Gulf and the need for our country to expand development of our own energy sources. We as a nation still import one-third of the oil we consume. That is the same percentage as on the eve of the Arab oil embargo.

Right now, we are using more oil and natural gas from our domestic reserves than we are finding. The old wells are running dry. They must be replaced by new wells in new fields. Geologists say that the Federal Outer Continental Shelf may contain up to one-half of our nation's future petroleum resources.

A decade ago, America's net agricultural exports paid for the petroleum stocks imported by the United States. But the prices of agricultural commodities have not risen to match the steep jump in petroleum prices. Our foreign trade deficit has multiplied. Reducing our dependence on foreign oil should be a top national priority.

Future oil shortages would hurt not only agriculture, but all Americans. With inadequate petroleum supplies, agriculture cannot thrive, and consumers will pay higher prices for less food. We see no need to take this risk. The oil is out there, under our oceans. We know how to get it on shore with little risk to the environment.

Each of the various moratorium bills has as its chief intent the protection of our environment. The agricultural community has much in common with coastal residents and public officials voicing environmental concerns. We all are environmentalists. No special interest group is more environmentally conscious and protective than farmers. Farmers are dependent upon the health and vitality of the fragile earth for their livelihood.

The California Farm Bureau has participated on several occasions in public hearings on offshore leasing. In each of those hearings, much of the debate focused on environmental risks of exploration and production. As a result, the Department of the Interior deleted many environmentally sensitive areas from consideration. That is good.

The health of California agriculture -- the health of American agriculture -- is vital for all of us. Future energy shortages could have a devastating impact on our agriculutural industry. Such shortages, should they occur, would hurt all of us. Environmentally safe development of American offshore energy resources can play a significant role in preserving American economic security -- protecting both our natural and human environments -- and shaping the nation's future for decades to come.

The 100,000 families and businesses of the California Farm Bureau urge you to oppose all forms of moratoriums on the development of American offshore energy resources.

Thank you for the opportunity to present our views.

TESTIMONY OF
LARRY LUERA

CALIFORNIA CHAPTER
LEAGUE OF UNITED LATIN AMERICAN CITIZENS

BEFORE THE
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY
OF THE
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

JUNE 26, 1984

Mr. Chairman, distinguished members of the subcommittee, my name is Larry Luera. I am the immediate past state director of the California chapter of LULAC, the League of United Latin American Citizens. LULAC is the largest Latino organization in this country.

I am here today carrying a message from the collective voice of LULAC: the best interests of our nation and its Hispanic citizens would be best served by proceeding with American offshore energy development.

A strongly worded resolution calling for the exploration and development of America's offshore energy resources was adopted last month by the California LULAC convention.

We believe that environmentally safe development of America's vast offshore petroleum resources could bring the United States much closer to energy independence. That is critical for us as a nation. That is important for us as Hispanic Americans.

I was startled to learn recently that about one-third of America's daily oil consumption still comes from foreign sources. That is the same percentage as on the eve of the 1973 Arab oil embargo.

Hispanic Americans have painful memories of the two oil shocks of the last decade. Due to the Arab oil embargo, we saw as many as half-a-million jobs lost throughout America. We saw a similar situation again during the 1979-80 Iranian revolution oil crisis: More than a million workers across this country were laid off, many of whom were Hispanic Americans.

Today, approximately 20 percent of the population in California is Hispanic. Projections show that by the year 2030, 42 percent will be Hispanic. Based on population alone, Hispanics in California should have a role in public policy decisions that could have a major impact on the future of our state and the nation.

It is important to consider the energy needs of our expanding population. We need offshore energy development to provide new jobs for skilled and unskilled Hispanic workers. The United States must move toward energy independence, which will create more economic security for all Americans.

We believe development of our Outer Continental Shelf will provide a better opportunity for the oil and gas industry to expand its commitment to the Hispanic community.

Many people have the mistaken idea that only a few big oil companies and a handful of coastal states reap the economic benefits of offshore oil drilling.

Nothing is further from the truth. Hundreds of thousands of Americans, in nearly every state across the country, are employed by companies which service and supply the offshore industry. Expanded offshore development would help ensure the future of employees of those companies. Expanded offshore development also would create new businesses and new jobs for Hispanics.

Let me cite some examples just to give you an idea of what goes into getting an offshore rig into operation:

- Steel used to build these massive rigs is manufactured in Ohio, Pittsburgh and Birmingham.
- The rigs are then fabricated at shipyards along the Gulf Coast in Texas, Louisiana, Alabama and Mississippi, as well as in Maryland and California.
- After they are assembled, the rigs are painted and treated with protective coverings manufactured in St. Louis, Missouri and Union, New Jersey.
- Engines that power the rigs are manufactured by companies in Peoria, Illinois and Detroit, Michigan.
- Cranes that hoist equipment and supplies come from Wisconsin, Washington, Texas, Pennsylvania and Nebraska.

- Specialized drilling tools, drilling fluids and cement come from California; Salt Lake City, Utah; Nevada; Wyoming; Little Rock, Arkansas and Oklahoma.

- Special shoes, hard hats and work clothes are manufactured in Tennessee, Wisconsin, Texas, Kentucky, Pennsylvania and Minnesota.

- If commercial quantities of oil and gas are discovered, production platforms and pipelines are built to move it ashore. Many more jobs are created in this stage of the process.

The Hispanic community wants to play a greater role in the whole process of offshore energy development.

Hispanic Americans support environmentally safe development of our nation's offshore energy reserves. The current laws and regulations provide the framework for ensuring protection of our oceans and our coastline.

Moratoriums do nothing but threaten this nation's economic and national security, and, more specifically, the economic security of Hispanic families.

Mario Obledo, national president of LULAC, wrote in a recent letter to Congressman Sidney Yates, chairman of the House Appropriations subcommittee on the interior: "On balance, it is

MY OPINION THAT THE BEST INTERESTS OF OUR NATION AND ITS CITIZENRY WOULD BE BEST SERVED BY ALLOWING OFFSHORE EXPLORATION AND DEVELOPMENT UNDER CONTROLLED CONDITIONS.

WE URGE YOU TO OPPOSE LONG-TERM GEOGRAPHIC MORATORIUMS AND YEAR-TO-YEAR MORATORIUMS VIA THE APPROPRIATIONS PROCESS. WE URGE YOU TO SUPPORT THE FIVE-YEAR OFFSHORE LEASING PROGRAM SO WE AS A NATION CAN PROCEED TO DEVELOP AMERICA'S OCS ENERGY RESOURCES.

THANK YOU.

TESTIMONY OF

RICK STORRE

COMMISSIONER

HUMBOLDT BAY HARBOR RECREATION AND CONSERVATION DISTRICT

BEFORE THE

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

OF THE

SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

JUNE 26, 1984

Mr. Chairman, members of the Subcommittee, my name is Rick Storre. I am a commission member of the Humboldt Bay Harbor Recreation and Conservation District.

I am here to express my support for environmentally responsible offshore energy exploration and my concerns about proposed moratoriums on the Department of the Interior's offshore leasing program.

I am also here today to express the opposition of the Humboldt Bay Board of Commissioners to Senate Bill 2324, which would amend the Coastal Zone Management Act of 1972, expanding the power of the California Coastal Commission.

Humboldt Bay, located in the rural north coast of California is the largest seaport north of San Francisco. As a rural region, our economy relies heavily on the prudent harvesting of our natural resources. Fishing and timber are key industries in the area. The North Coast suffers from the pain of a depressed economy with staggeringly high unemployment, reaching 25 percent and above in some communities. For years, our timber and fishing industries have suffered from excessive regulation. Yet, even with high unemployment, we are seeing increased efforts, politically motivated in some cases, to further restrict prudent resource development. Those restrictions also would impose bans on exploration for new resources, specifically oil and natural gas on the Federal Outer Continental Shelf.

Along the North Coast, I detect a new attitude toward resource development. This, however, does not mean rejection of much needed environmental safeguards for the prudent, responsible harvesting of our natural resources. We are seeing growing support for environmentally responsible exploration of one of our yet untapped resources: offshore oil and natural gas.

Furthermore, the Humboldt Bay Board of Commissioners opposes S. 2324 because it would put the fate of federal natural resource development, landward or seaward of the coastal zone, in the hands of non-elected staff, such as the California Coastal Commission. The Board of Commissioners believes that the power of final review should be placed in the hands of an elected body responsible to the people, such as the County Board of Supervisors. The amendment to the Coastal Zone Management Act would give the California Coastal Commission the power to block all energy exploration in federal waters along the state's coastline, even before environmental and resource estimate studies have been completed.

Under current law, states have ample opportunity to voice concerns and influence the outcome of federal decisions during the period of study before a lease sale is scheduled. States also can flex enormous muscle during the period after a lease sale. Offshore leasing and development must comply with 74 sets of federal regulations and secure up to 17 major permits or plan approvals. No license or permit may be issued for any development activity until all state coastal zone management plan requirements have been met. If those requirements are not met, no drilling takes place.

Despite our nation's clear need for more domestically produced energy, Congress has erected barriers -- moratoriums -- effectively blocking increased exploration of America's offshore oil and natural gas reserves. The Federal Outer Continental Shelf along the north coast of California is included in the current DOI appropriations moratorium. Moratorium sponsors also propose to include our area through fiscal year 1985.

As you are aware, legislation also has been introduced which would extend moratoriums on offshore leasing along the California north coast until the year 2000.

Under the leadership of the new Interior Secretary, William Clark, DOI has taken a more conciliatory approach to resolving environmental concerns of state and local governments. Examples of this new attitude are the major compromises DOI made on Lease Sale 80 and the postponement for further environmental study of Lease Sale 91 along the coast of Northern California.

There is growing support for responsible offshore development with reasonable environmental safeguards from citizens of California. For example, according to a recent public opinion survey by V. Lance Tarrance and Associates, most Californians support oil development off the California coast. A summary of key findings shows:

- A majority of 56 percent polled said they favor development of new oil and gas fields off the coast of California. About 37 percent opposed.
- 57 percent agreed with the statement, "It is possible to protect the oceans and beaches while drilling for oil at the same time." 33 percent disagreed.

- 54 percent believed the oil industry had maintained a good safety record in offshore operations over the last 10 years. 20 percent were unsure of the safety record, while 25 percent disagreed that the industry was doing a good job.

- 87 percent thought developing more U.S. energy is essential to reduce our dependence on foreign oil. More specifically, 55 percent believe that drilling should occur off the California coast to help solve the nation's energy problems.

For all of these reasons, among others, I am urging you to oppose restrictive legislation on offshore energy exploration. We cannot progress toward true American energy self-reliance and maintain our national security unless we develop safe and secure domestic supplies of oil and natural gas.

Economic stability also will be elusive if jobs are threatened and budget and trade deficits escalate because of foreign oil imports. The consequences of these situations fall heaviest on those who can least afford it.

Thank you.

TESTIMONY OF

JOSEPH E. SULLIVAN

MEMBER OF THE BOARD OF DIRECTORS
LOS ANGELES URBAN LEAGUE

BEFORE THE
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY
OF THE
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

JUNE 26, 1984

Mr. Chairman, members of the subcommittee and staff. My name is Joseph E. Sullivan. I am a member of the board of directors of the Los Angeles Urban League and a member of the business community.

I come before this subcommittee to express my personal concern and that of the Urban League for a balanced and responsible policy for the development of oil and natural gas resources off the coast of California.

Let me begin by providing you with a little background on the Urban League. The main function of the Urban League is to provide training, employment and other opportunities for Blacks and minorities. In my four years on the board, I've come to realize how challenging this task can be.

I am here today representing my views as a board member of the Los Angeles Urban League, the second largest Urban League affiliate in this country. The agency serves as a key link between the business community, city and county government, and other community organizations which share its concern for advancement of opportunities for minorities and the poor throughout Greater Los Angeles. More than 67,000 people were served last year by the Los Angeles Urban League's employment counseling, job training and placement, community development services, the Head Start/State Preschool Program and the Youth Employment and Training Program.

More importantly, the work being done at the League is a tremendous help to Los Angeles and particularly the Black community.

Prior to joining the Urban League, I was completely insulated from the realities faced by millions of Americans in this country, particularly the urban poor and seniors on fixed incomes.

As chairman of the Employment and Training Advisory Council of the Los Angeles Urban League, I am continually reminded that a job is the key to this seemingly endless struggle.

I am here today to offer a perspective that unfortunately is not often heard when an issue so critical as offshore energy development is being debated.

The development of American offshore energy resources has important long-term implications for this country and the constituents of the Urban League. More specifically, the development of the Federal Outer Continental Shelf is an opportunity for this country to become more energy independent. The subsequent result will be the creation of millions of jobs, for both large and small businesses.

Now, more than ever, we have an opportunity to plan and develop a responsible energy policy in light of the crisis in the Persian Gulf.

I'M SURE SOME OF YOU ARE REACTING TO THE SHORT-TERM POLITICAL PRESSURES BEING CREATED BY A SMALL, BUT VOCAL GROUP OF CALIFORNIANS WHO SUPPORT OVERLY RESTRICTIVE MORATORIUMS ON OFFSHORE ENERGY DEVELOPMENT.

AS A FORMER CITY COUNCILMAN FOR THE CITY OF VILLA PARK, I UNDERSTAND THAT KIND OF PRESSURE PLACED UPON ELECTED OFFICIALS BY PEOPLE WITH COMPETING INTERESTS. IT CAN TEAR AT YOU. BUT LET ME REMIND YOU, THE DECISIONS YOU MAKE WILL HAVE IMPORTANT CONSEQUENCES FOR SMALL BUSINESSES AND THE URBAN POOR IN GREATER LOS ANGELES.

I AM SURE ALL OF YOU ARE AWARE OF THE ECONOMIC CONCERNS MANY HAVE ABOUT THE IMPACT ANOTHER ENERGY SHORTAGE COULD HAVE ON MILLIONS OF AMERICANS. FOR EXAMPLE, DURING THE ENERGY SHORTAGE OF 1979-80, WHEN THE PRICE OF GAS SKYROCKETED, MANY UNSKILLED WORKERS LOST THEIR JOBS BECAUSE THEY COULDN'T AFFORD TO BUY GAS TO GET TO WORK. MANY OF THESE INDIVIDUALS SHOWED UP AT THE URBAN LEAGUE OFFICE LOOKING FOR WORK CLOSER TO HOME OR FOR TRAINING SO THEY COULD GET A HIGHER PAYING JOB.

PAST EXPERIENCE SHOWS THESE PROBLEMS MULTIPLY OUT OF PROPORTION FOR BLACKS AND MINORITIES WHEN ADEQUATE ENERGY SUPPLIES AND REASONABLE GASOLINE PRICES NO LONGER EXIST.

RECENTLY, A PUBLIC OPINION POLL WAS CONDUCTED IN CALIFORNIA. A MAJORITY OF THE BLACK RESPONDENTS STRONGLY FAVORED THE NEED FOR

OFFSHORE ENERGY DEVELOPMENT. 70 PERCENT OF THE BLACK RESPONDENTS AGREED THAT DEVELOPING MORE U.S. ENERGY IS ESSENTIAL TO REDUCE OUR DEPENDENCE ON FOREIGN OIL. 73 PERCENT AGREED THAT FINDING NEW OIL RESERVES WILL HELP KEEP THE PRICE OF ENERGY DOWN AND 70 PERCENT SAID WE COULD HAVE GAS LINES IF WE DON'T CONTINUE TO DEVELOP U.S. OIL. SUFFICIENT ENERGY SUPPLIES ARE SERIOUS CONCERNS OF AMERICAN MINORITIES AND URBAN POOR.

OUR CONSTITUENTS CAN ILL AFFORD THE HARDSHIPS OF AN OIL SHORTAGE AND ITS ACCOMPANYING LOSS OF JOBS. MORE IMPORTANTLY, THE CONSEQUENCE OF THESE MORATORIUMS FALLS HEAVIEST ON THOSE WHO CAN LEAST AFFORD IT. I ALSO RECOGNIZE THAT IT IS NECESSARY TO PROTECT THE ENVIRONMENT, THEREFORE INCLUDING ADEQUATE SAFEGUARDS.

I URGE YOUR SUPPORT FOR RESPONSIBLE EXPLORATION AND DEVELOPMENT OF OUR OFFSHORE ENERGY RESOURCES. I URGE YOU TO CONSIDER THE URBAN POOR, SENIOR AND SMALL BUSINESSES WHEN MAKING YOUR DECISION ON THIS ISSUE.

THANK YOU.